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ABSTRACT

This document is a class simulation that details the work of a fictitious consulting firm that was challenged by a group of 10 doctors (who were each willing to commit $50,000) to study the feasibility of starting a company that would employ the greatest possible number of people from Monongalia and Preston counties in northern West Virginia. The following are among the topics discussed: conditions of the challenge; decision to develop a footwear manufacturing business; site selection (selecting a community and examining the economic base; determining the economic base; analyzing population data; identifying the competition; considering access, costs, and lease options); production (organizing for efficient production operations; developing an equipment, operations, and production sequence; estimating equipment costs); design (product designs, product testing and safety, production analysis, social and economic impact); marketing (market research, advertising, development of a marketing department); human resources (labor market survey, employee salaries, working hours, job descriptions, union information, benefit information, personnel policy); management (legal structure, management and organizational plan, initial training and team building, labor relations, environmental impact, ancillary services); and financial summary (projected start-up costs; operating costs and capital expenses; wages, salaries, and benefits; strengths and weaknesses). Seventy-three tables and figures are included. The bibliography contains 70 references. (MN)

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EOCENE Footwear

The Power To Change The World

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INTRODUCTION

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April 25, 1995

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Introduction

This project is the result of a challenge to a fictitious consulting firm to develop a study on the feasibility of starting a company in the local area. The consulting firm was challenged by a group of ten doctors, each willing to put forward $50,000 each for the startup of the business. The business needed to meet certain criteria in order to be considered by the doctors which ranged from specifying a general location, to employing the most number of people from the local area as feasible. The design of this feasibility analysis therefor addresses these needs in the sections of the following document.

The consulting firm conducted a brainstorming session to explore the possible types of businesses and services that may fit the criteria of the doctors. The resulting three successful enterprises (managed elder care, a footwear business, and a natural gas conversion facility for aircraft) were then subjected to a series of preliminary analysis which culminated in the selection of the footwear manufacturing business..

The location of the business is described in Section 2 with an emphasis on suitability for our proposed business. The selection of a community in which to start our business required an examination of the economic base of Monongalia and Preston Counties. We looked for financial incentives and analyzed relevant population data. For choosing the site, we looked at the possibility of having a retail business, a wholesale and service business, and finally settled on a manufacturing business which had easy access to transportation, suppliers, and raw materials.

The history of the building and the site point out the possibility of success for this enterprise. The prior success of the Kinney Shoe Manufacturing Company at this location reinforces the decision to choose Kingwood, West Virginia. The unwritten history for the decision by Kinney Shoe to relocate from Kingwood included: 1) location, and 2) the threat of unionization. These two concerns have been addressed in this study. Unionization is of major concern in the footwear manufacturing business as it is responsible for a significant portion of the manufacturing cost.

The manufacturing of shoes and boots is a labor intensive enterprise. Section 3 deals with the internal setup and design of the plant and equipment. The layout of the plant has been designed to eliminate the possibility of back tracking the production line, therefor increasing the efficiency of operations. The factors that will affect the flow of work, and the methods for achieving efficient operations are discussed. The production line is designed to be variable and will allow the change-over to new shoe designs with a simple rearrangement of the equipment.

The design of our products are discussed in Section 4. the product and services are introduced as applicable to the marketplace. The market research has shown a number of designs to be profitable and those designs are included are sketches. The materials for the shoes and boots were chosen for their characteristics of high quality, durability and comfort to give our customers a long lasting, comfortable, and attractive product.

The marketing of our product is described in Section 5. The design of our product relies on a regular analysis of the target market demands in combination with the footwear industry trends. The form of advertising and method for company sales are described along with similar competitor cost comparisons.

The marketing, sales, designs, and workers in our proposed company are discussed in Section 6: Human Resources. Labor is a large factor in our decision for suggesting a footwear manufacturing business. The high labor pool needed to produce footwear will allow the business to have an impact on the community development. This section will introduce the working hours, job descriptions and union relationships that may affect the proposed business. Employee benefits, health care and policies are presented and recommended to be more than sufficient in order to prevent any perceived threat of unionization. Compliance with minimum wage and child labor laws are also introduced to minimize any possible management conflicts.

An overview of the management style and organization is located in Section 7. Key to the management of the proposed business is the inclusion of the investors as members of the Board of Directors. This will provide the business with mild tax advantages during the startup phase of the company. The management structure will provide the company with a form of communication that will minimize written communications. The employee training will include cross-utilization and rotating assignments to provide the employees with a variety of experiences and the company with well trained individuals. The training period is specified with the discussions on team building and labor relations. An environmental assessment/impact discusses the possible health related concerns in the company.

The financial success of the business one of the requirements of the initial investors. Section 8 discusses the finance related concerns for the business, and begins with the initial start-up costs involved to bring the company on-line. The operating and capital expenses include items such as production costs, marketing costs, facilities management expenses, loan repayments, and tax related items over a three year initial period. Gross revenue projections and profit margins for each of the proposed products are discussed, along with an income projection that has a positive outcome. The estimated return to the investors will be less than five years according to the design of the project.

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The Power To Change The World

SITE

Site

The decision of where to put the business is a major one. For one thing, a location can make or break certain kinds of enterprises. It can determine who sees the business, how easily they can get to it, and whether or not they give it a try. For another thing, the choice of location can for all practical purposes be a permanent decision. Once the investment in land, a building, fixtures, or heavy equipment has been made, it may be difficult if not impossible to move.

Here you will learn what criteria was considered for choosing a location for this business. We will start at the broadest level of consideration--how to choose a community--and work our way down to the actual building.

How Did We Select A Community?

The group of investors had set a parameter which concerned the location of the business. The industry that the industrial consulting firm recommends must be located within ten (10) miles of downtown Morgantown. The number of miles was interpreted as being flexible to allow for the possibility of extenuating circumstances and economic incentives. When a radius of ten miles around Morgantown is placed on a map Monongalia and Preston Counties become the area of emphasis.

How Did We Select a Community? Unfortunately, the community that we live in is not always the best place to start a business. Just because we are familiar with an area does not make it suitable for the enterprise. To judge the community fairly, we will need to step back and look objectively at what it has to offer.

Examine The Economic Base

When evaluating a community, we should consider its economic base. This is simply the major source of income for the community. Usually a community's economic base is characterized as "primarily industrial" or "primarily service oriented" or something similar. What we want to know, however, is whether that economic base is growing or shrinking. Fortunately, the local government wants to know that, too. One of its agencies does an economic base analysis regularly, the Chamber of Commerce. The economic base in Monongalia County is growing, according to the 1995 Brief Community and Economic Profile data provided by the Morgantown Chamber of Commerce. The orientation in the area is primarily service oriented with the major employers being education and health related services. The economic base in Preston County is presently stable according to the 1994 Community Profile provided by the Preston County Chamber of Commerce data. The orientation of the economic base in Preston County is primarily service related with the major employers being education and health related services.

What Constitutes A Growing Economic Base?

One in which there is more money coming into a community than there is leaving it. Suppose a community's major economic activity is farming. It sells agricultural products to other communities, which brings money in. Because the only major mall in the area is in the next town, however, residents do much of their shopping elsewhere. This sends money out of the community. If the revenues from farming exceed the expenditures for shopping, then the community's economic base is growing. However, if the residents are spending more at the mall, then the community's economic base is shrinking.

Thus, the most favorable type of community for our new business maybe one in which "exports" exceed "imports" if we decide to open our own retail establishment. Because it is always receiving new money from the outside, such a community doesn't have to rely on just what is available locally. This makes more growth possible. Additional money creates additional demand, which translates into new business opportunities. Additional money also provides the investment capital that entrepreneurs can use to exploit those opportunities. In this way, a community with a growing economic base provides a favorable environment for new retail businesses.

Since our decision is to open a factory that manufactures a product, we will be adding to the economic base of the community we decide to locate in. The increase in employment opportunities, estimated around one hundred plus employees will add to the economy of the community. There are also spin-off jobs created to support our business in the community.

Look For Financial Incentives

Many communities actively try to attract new businesses. Some are looking to continue the expansion of their economic bases such as in Monongalia County. Others are seeking to revitalize faltering economies. Preston County is recovering from the Kinney Shoe factory employment loss. Communities in both situations such as these frequently offer special incentives to attract new enterprises such as ours. These incentives include such things as lower taxes, cheaper land for building facilities, and employee training programs.

We checked to see if such incentives are available in the communities we are considering. They offered to locate new businesses in particular areas. For example, some states such as West Virginia have established enterprise zones in communities that requested them. Businesses that locate in these zones receive favorable tax treatment from the state based on the number of new jobs they create. The local economic development departments did tell us of such programs available to help our new business.

Monongalia County Area Economic Partnership has the Morgantown Industrial and Research Park available for $45,000 an acre which is negotiable in price. The location is only six miles from Interstate I-79. The site is located on the West side of the Monongahela River, just south of Westover. County Route 45 runs adjacent to the site.

The Airport Office and Research Park has the advantage of being close to the airport, available at $75,000 an acre, however, it is not zoned for industrial use. The site is located essentially at Hart Field and adjacent to county route 62.

Hartman Run Road is another site one mile from the airport and three miles to Interstate I-68. It is available for $35,000 an acre and contains no zoning. The site is located to the east side of Morgantown. County route 62 runs adjacent to the site.

The Gutta Site has one of the lowest price per raw acre at $1,650. It is four miles to Interstate I-79 and contains no sewage access and would require a treatment plant. It is located north of Morgantown and adjacent to the Monongahela River on an interior curve. County route 53 runs north on the west side adjacent to the site.

The Fort Martin Site bottoms out the price per acre at $180. Fort Martin is five miles from Interstate I-79 and it also has no sewer supplier. County route 53 runs through the center of the site, there is a small part of the parcel touching the river. The site is located north of Morgantown, along the exterior curve of the Monongahela River.

There is also the King Prime site which contains a 20,000 square foot building on 1.5 acres available for $650,000. The location of the site is towards the south side of Morgantown. No details were given on the specific location.

The Monongalia County Development Authority has the West Run site available for $50,000 per acre and three thousand feet of road is needed to connect it with a primary carrier.

There is also the Interstate I-68 site of 56 acres of farm property for one million dollars. The land is ideally located and must be purchased as a whole.

The Route 705 site is a similar parcel for the same amount of money. It contains 49 acres and must be purchased as a unit.

There are also four acres available in the West Run area for $100,000. This land is in a development are and may be in conflict with current community plans. A bridge would be needed to access the site with a construction estimate of $50,000.

These sites are indicated by Figure 1 showing the approximate location of the sites in relation to the Morgantown area.

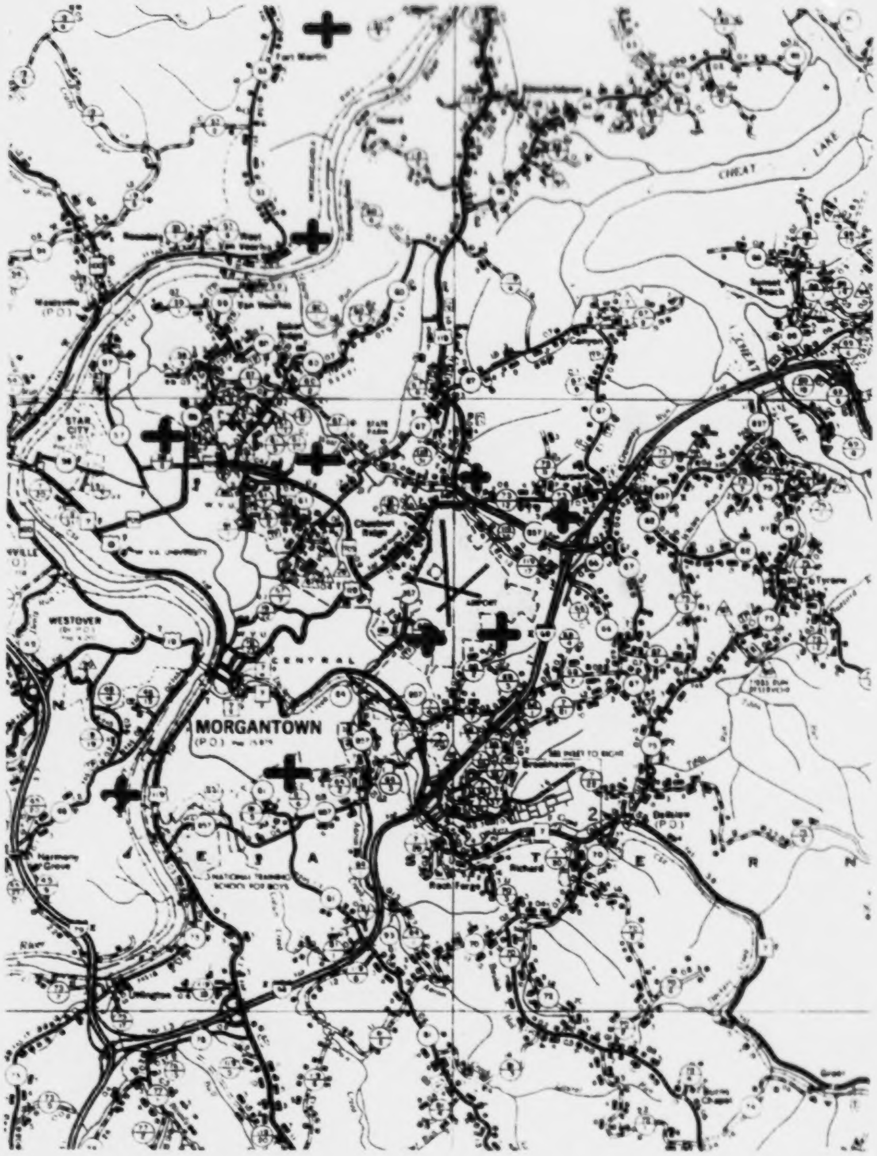


Figure 1. Morgantown Site Locations

The major commercial property realtor in the Morgantown area is Petropolis and Associates. Their office was contacted and a meeting was scheduled to discuss possible business sites. Their representative would not entertain a discussion without the signing of a contract beforehand. Their input to this project was considered and rated as important. The result was no properties which may be available through Petropolis and Associates were considered in this project.

In Preston County the only known site that would be applicable in the study was the Kinney Shoe building according to the Preston Chamber of Commerce's Large Commercial Building. It contains a 43,000 square foot building on 14 acres. The price is $300,000 and the closest Interstate is 19 miles away to Intestates I-68 and I-79 to the west. The site is located in Kingwood, West Virginia (Preston County). Kingwood is south east of Morgantown (Figure 2). The site fronts route 7 which intersects route 26 in Kingwood.

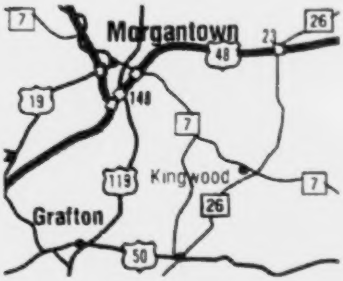


Figure 2. Kingwood Location

Incentives say a great deal about a community's attitude toward business. Their presence indicates that the community welcomes new enterprises and recognizes the benefits they bring. Both Monongalia County and Preston County are involved in an active process of locating and aiding business creation and expansion in the area. Incentive absence could have indicated just the opposite. Faced with the latter situation, we would have carefully checked local tax laws and business regulations. If our community of choice made it difficult for businesses to operate, we would have wanted to look elsewhere.

Analyze Population Data

We found the communities economic base and its attitude toward new businesses as being favorable, we next looked at their population. Is it growing or declining? Is it aging as young people move away or getting younger as more families with children settle in the area? Such trends can suggest all sorts of things significant to our business. These include who will work at our location, how much they will spend in the community, and on what types of products they will be able to construct if manual dexterity is required.

The two communities have a number of agencies that keep statistics on local population trends. The Chambers of Commerce are good sources of this information in our study as well as the 1990 Census data.

Demographics. Demographics comprise some of the most useful population information we can gather. Demographics are statistics that deal with the personal characteristics of a population. These characteristics include age, education, gender, race, religion, and income level.

Why Is It Important To Know Such Characteristics?

Suppose we were going to open a factory needing unskilled laborers with manual dexterity. Wouldn't we want to know if our community had a sufficient number of such individuals available for employment? Demographic data could tell us if this were the case. In other words, it could tell us if the demographics of the location and the demographics of the target labor force matched.

Where Do We Find Demographic Data?

The public library and the local university library are good places to start. Both have the 1990 Census Basics, published by the US Bureau of the Census.

Each decade the Census Bureau surveys every citizen of the United States in order to track changes in population size and characteristics. The bureau divides the United States into Standard Metropolitan Statistical Areas (SMSAs). These are generally geographic areas that include a major metropolitan area, such as Monongalia and Preston Counties. The SMSAs are further divided into census tracts, each containing approximately 4,000-5,000 people, and additionally into blocks.

So, for any urban area that we may be considering, we can obtain all sorts of valuable information on the residents, courtesy of the Census Bureau. For example, suppose we wanted to start a factory as described above. To understand the labor force we wished to have, we could consult the federal government's

1990 Census of Population. Social and Economic Characteristics of West Virginia.

Labor Supply.

The population data can also reveal the number of people available for work. When considering a community as a potential business location, we must seriously consider our employment needs and how well the local labor supply can meet them. We asked ourselves the following questions:

* How many employees will we need?

* Is there a sufficient pool of labor in the community to meet our needs?

* Does the available labor pool have the appropriate skills to help our business?

Table 1 shows the results obtained from the 1990 Census data for the two county area. The categories were determined by the three questions presented above.

Table 1. 1990 Census Demographic Data

County	Monongalia	Preston
Persons 16 and over	62,102	22,175
In labor force	35,691	11,776
Unemployed	2,627	1,176
Not in labor force	26,411	10,339
Percent Persons 16-19 not high school graduate	4.4	8.2
Percent 25 and over high school +	75.4	62.7
Percent of Laborers	11.5	23.2
Per Capita Income	11,772	9,158

We were not tempted to rely on high unemployment figures as an indicator that a sufficient labor force is available. Often the unemployed lack the skills and training employers need. Rather than relying on federal unemployment statistics, we looked to local sources for work force information. The community's Chamber of Commerce has more relevant and specific information through a service provided by CACI Marketing Systems. The updated demographic information is shown in Table 2.

Table 2. 1994 Demographic Update provided by CACI

Population	79,464	29,953
Per Capita Income	13,643	10,324
Population Growth	+.79%	+.42%
Median Age	30.5	35.9

How Do We Select a Business Site?

We have determined that in our opinion both communities are suitable for our business, now we can begin to look for a specific site within the communities. The criteria used to judge the sites varied with the type of business which was ultimately decided upon. However, there are some options for our business which were considered and are included to provide a sense of the process that was involved in our decision making process.

Retail Business Considerations

If we would have chosen to start a retail business, we would have chosen to sell directly to the consumer. Therefore, we would have needed to go where the consumers are located. We would have had to find fairly large concentrations of consumers who fall within our target market.

One of the first things we would have needed to decide on would have been our trade area. This is the region or section of the community from which we could have expected to draw our customers.

The size of our business would have determined the size of our trade area. For example, if we offered a specialized line of merchandise, we would have drawn customers from a great distance--perhaps from as much as 150-200 miles distant. On the other hand, if we had offered general footwear styles solely for the convenience of customers, we would have drawn from a much smaller area--perhaps a radius of 25 miles.

Once we would have pinpointed the area of the community we wished to serve, we would begin to locate potential sites within it. At this point, a map is an especially helpful tool (Figure 3). If we mark critical data on it as we investigated each potential site, it could serve as a visual summary of our choices. In this way, it would simplify making our ultimate decision.

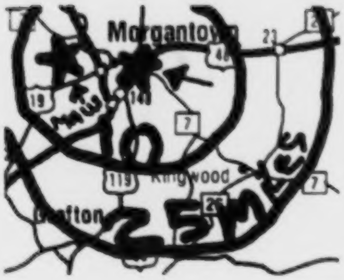


Figure 3. Potential Map

We would begin by drawing a circle delineating the trade area around each site we are considering. In our case it could have been both malls in the Morgantown area. Then, within each trade area, we would need to examine and note four additional features. None is within our control, but all are critical to retail businesses.

Number And Size Of Competing Businesses.

We would first mark all potential competitors. Calculating the number, size, and location of stores that would compete either directly or indirectly with our business. This would give us a sense of where customers go to shop. It would also tell us how large, in reality, our trade area is. (It may, in fact, be larger or smaller than the circle we have already drawn in Figure 3.)

We would look for clusters of stores and low vacancy rates. A low vacancy rate might have indicated that customers are strongly drawn to the site, such as the Morgantown Mall. This is something that the new business might be able to take advantage of. One way to determine the vacancy level in a retail center is simply to walk through and estimate (or count) the number of vacant stores compared to leased stores. We could also talk to the management company for the center to find out the amount of leased versus vacant store space. Then we could calculate the vacancy rate for ourselves. The formula we would have used according to the Small Business Administration can be seen in Table 3. The formula is based on the simple notion of available space as compared to vacant space.

Table 3. Vacancy Formula

Amount of vacant space
Total space available = vacancy rate

Consider an example. Suppose a 100,000 square-foot shopping center has 5,000 square feet of vacant space. Its vacancy rate would be calculated as follows:

5'000 = .05 or 5%
100,000

Nature Of The Competition.

Now that we know where our competition would be located, we would have tried to figure out the way they do business. Specifically, we would consider whether our business will be compatible and what the implications are of this information.

For example, if our footwear business was similar in size and merchandise to its competitors, we may want to consider locating near them to encourage comparison shopping. On the other hand, if our operation were significantly larger and we were able to offer a greater variety of products, we may want to take a different approach. We may be able to generate our own drawing power and on that basis locate away from our competitors much like Payless has done on Monongahela Boulevard in Star City.

Character Of The Area.

We would also look carefully at the character of the area. Was it attractive and inviting? Did it have the appearance of success? In general, consumers like to shop in attractive, safe, thriving environments. Individual businesses or blocks that counter this impression are potential problems. We would have marked them on our map for consideration.

Accessibility And Traffic.

We would also mark our map with the routes our potential customers could use to reach our business. Identifying the highways, streets, and public transportation routes that lead to the site. If we found that there was no convenient route to our business or if the site was difficult to locate, we could bet that customers were not going to put out the effort to get to us.

We would also look for physical barriers that might impede customer access. A park, for example, construction zone could be such a barrier. So could a nearby high-crime area if people must pass through or go around it to get to your site.

Both foot and car traffic are important to a retail business. Investigators often stand at a potential site and count the number of cars and pedestrians passing by. If we decided to use this technique, we should recognize one key limitation. The traffic count would most likely vary with the time of day and the day of the week. We may therefore want to do more than one count. A simpler method would be to contact Dennis Leroy at the West Virginia Department of Highways Planning Division. His office contains average daily traffic (ADT) counts on the state, county and interstate highways throughout the state. Once we've gathered such data, however, we could compare results from different sites to help us make a more informed choice.

Finally, we would need to make sure that our chosen site had adequate parking. Customers appreciate easy, safe, and free parking.

Service/Wholesale Business Considerations

In many ways service and wholesale businesses are similar in their needs to retail businesses. This is especially true if they have customers who come to their places of business. Shoe repair shops or wholesale outlets that sell to the public are both good examples. If our service or wholesale business is of this sort, then all of the factors relevant to a retail site would apply to our business as well.

However, many service and wholesale businesses do not have customers or clients coming to their business sites. For example, door-to-door footwear salesmen and plumbers go to their customers' homes. Rarely does a customer need to see their places of business. Distributors are in a similar position. Their clients are manufacturers and retailers who do business primarily through sales representatives and purchase orders.

One of the advantages of these kinds of businesses is that they do not need expensive, high-profile locations. They can choose less expensive areas of a community. They should, however, be located relatively near the customers they serve to save time and transportation costs.

Manufacturing Business Considerations

We did decide to start a footwear manufacturing concern, our location will be largely predetermined by the nature of our business. A manufacturing firm can locate only where local zoning laws allow. In an effort to keep noisy, odor-producing businesses away from homes, stores, and offices, most communities have set aside certain areas for industrial uses. Sometimes these areas are called industrial parks as in the Morgantown Industrial and Research Park. Being restricted in this fashion is not necessarily a disadvantage. This is because industrial parks are usually equipped with electrical power and sewage plants appropriate to manufacturing.

The location decisions that manufacturers do face are very different from those confronting other business operators. For example, manufacturers do not concern themselves with pedestrian access. The access we are concerned with is our own--to sources of supply and major transportation routes such as the Interstates nearby, I-68 and I-79.

Access To Suppliers.

As manufacturers, we will try to locate our plant close to our sources of supply. These may be extractors who provide raw hides or other manufacturers who provide footwear parts. For example, we are producing footwear products. It would be important to have our fabricating plant fairly close to the trucks that ship our product. Otherwise, our footwear's would be out of demand before they reached our customers. Locating close to major suppliers and servicers can also cut transportation costs and shipping times.

Our major supplies come from a variety of areas (Table 4). Our location is central to these suppliers. The cost of transporting supplies to our site would then be evenly distributed in the cost of each item. The major pieces needed to construct our product are detailed with the location of the supplier listed and shown on the map.

Table 4. Supplier Locations

Component	Supplier Location	Manufacturer
Laces	Kentucky	Auburn
Leather	Hanover Pennsylvania	Renova
Lining	Hanover Pennsylvania	Renova
Collar	Hanover Pennsylvania	Renova
Heels	North Brookfeild Massachusetts	Quabaug
Soles	North Brookfeild Massachusetts	Quabaug
Adhesives	Indiana	Warthen
Small components	New Hampshire	A.Lyons

Map of the location of suppliers in relationship to the area. Figure 4 shows the distance and direction the major suppliers of footwear manufacturers are from the Preston and Monongalia County areas.

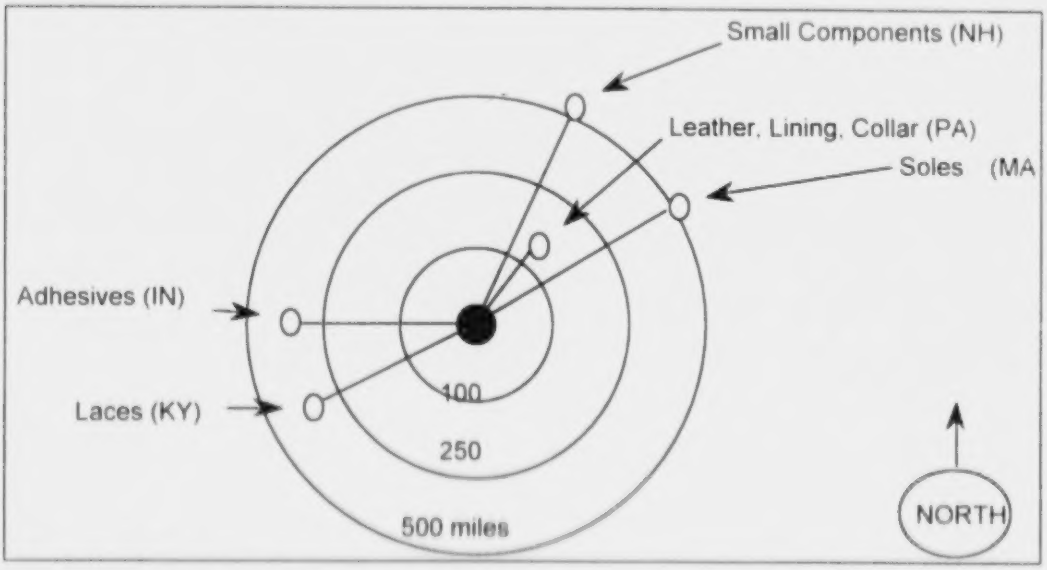


Figure 4. Supplier Position

Access To Transportation.

Manufacturers prefer to locate near major transportation networks. For example, a company that uses railroads to transport the goods it produces might choose a location on a railroad spur. Other possibilities for businesses with different transportation needs would include locations near interstate highways, docks, or airports.

Why is such planning important? It's a matter of simple economics. The farther we have to ship our products to reach a major transportation network, the more it costs us. Also, the more different transportation methods we use, the more people who handle our product and the more it costs us. In the end, higher shipping costs mean a smaller profit margin for us or higher prices for our customers. Either way, we are risking our business's ultimate success and must consider carefully the impact of shipping. The Monongalia sites average four miles to the nearest interstate, while in Preston, the closest interstate is nineteen miles away. Monongalia has four major motor freight carriers that serve the area, while Preston has eight that serve the area with a fifty mile radius. The major transportation highways and their relationship are shown in Figure 5. The constants in the area are the I-68 and I-79 interstate highways. Air shipments in both areas are conducted at Hart Field in Morgantown. River shipments may be made with the Monongahela river. The navigable depth of the river is nine feet.

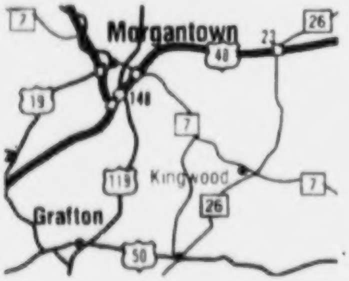


Figure 5. Highways and Transportation Lines

How Do We Select a Building?

Once we have chosen potential sites, we must consider what the existing buildings have to offer if they exist. We should look at three areas.

Determine Suitability for Your Purposes

A significant portion of the cost of starting most businesses is in the building. If we are able to find one that has all of the necessary amenities, we would be saving a great deal of money. The building available on our site must meet our needs in several respects. It must be of sufficient size both to take care of present needs and to allow for future expansion. No matter what type of business we have, we will need room for customers, storage, inventory, an office, and rest rooms. It is far less costly to pay for a little more room at the outset than to pay later for a move. Moving is expensive in more than just monetary terms. It can also mean lost sales and time away from essential work.

In determining the suitability for our purpose, we needed to decide on the size and general characteristics of similar manufacturing concerns. The consulting firm determined the business needed around 40,000 square foot of space. This figure was based on the estimate provided by Petropolis and Associates when initially contacted in regards to our project.

The history of the Kinney Shoe site was also researched and discovered to contain a building of 44,000 square feet. Another footwear manufacturer in the are, Bender Boot Company, in Somerset, Pennsylvania, provided information on their operations and business statistics.

The Bender Boot Company produces 100 dozen pairs of boots a day. The amount of boots per day for our business was modeled after a visit to the Bender footwear company. The figure was determined to be suitable for our firms estimate. the Bender Footwear Company also had a building the same size as our estimate (45,000 sq. ft.) and confirmed our first estimate. The number of employees was determined by a rough estimate of the number of employees needed to construct a single boot. The production line would contain a similar number of production employees

Exterior.

We should begin our evaluation of the buildings by considering their construction. It may be worthwhile to hire a professional--perhaps a contractor, inspector, or appraiser--to examine the building for structural soundness. We ourselves should be able to judge the building from an aesthetic viewpoint. How does it look from the street? Is it attractive? Is it compatible with its surroundings? Does it say what we want it to say? Does it have the right size windows for our purposes and an inviting entrance? Remember, customers will get their first impression of our business from the front of our building.

The two sites that had buildings were (Figure 6) the King Prime Location of 20,000 sq. ft. The building has four loading dock bays, a nine foot ceiling and few windows. The building was designed as a warehouse with additions added as needed for expansion.

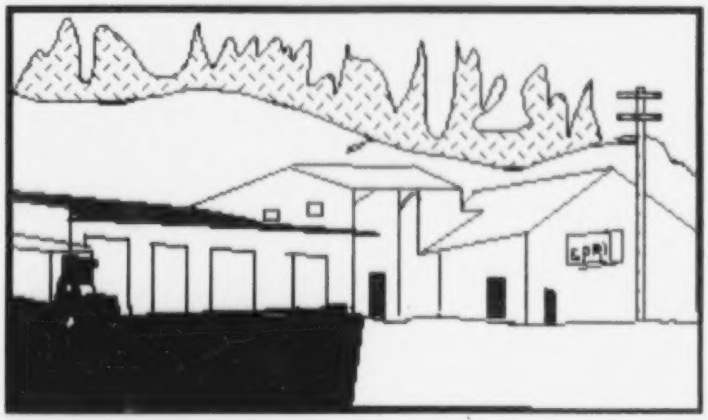


Figure 6. King Prime Building

The Kinney Footwear Building of 44,000 sq. ft. (Figure 7) was built with footwear manufacturing as the goal. The building has a 14' ceiling height and two loading docks with a common bay.

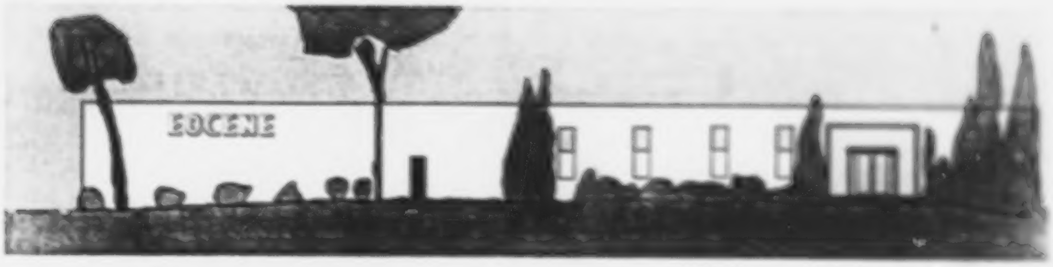


Figure 7. Kinney Shoe Building

Also, check any signage on the building. Most communities have regulations limiting the number, type, and size of signs we may have on or in front of our building. We need to make sure our signs are easy to read, attractive, and correct. The current signage is integrated into the side wall of the building with metal letters spelling out the name of the company. The signage on the Kinney Footwear Building is aesthetically pleasing and visualization of our company name is simple as illustrated in Figure 7. The King Prime building has few locations to display the name of the company. The existent plastic name shell is visible beside the telephone pole, but not attractive. The King Prime site has the sign on a florescent light fixture which is enclosed by lettering on plastic. Of the two, the Kinney Building has the preferred signage.

Finally, we should not forget parking for our customers and our staff. Our Morgantown community has building codes requiring a specific number of parking spaces, depending on the type of business using the site. Fortunately the sites we are considering each have their own parking places. The King Prime Site has parking available on the sides of the building and in front of the general office. The Kinney Building has a professional parking lot as can be seen in Figure 8.

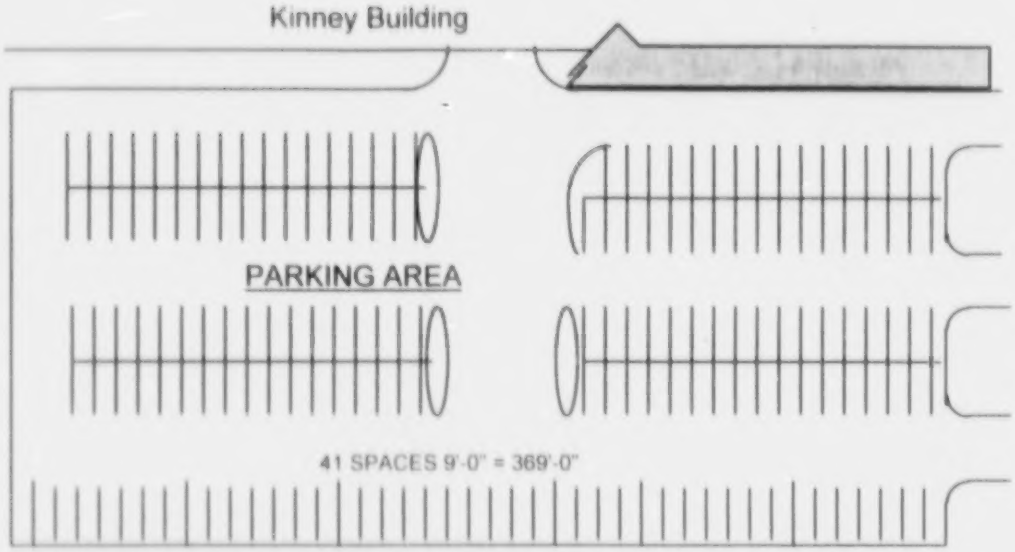


Figure 8. Kinney Parking Lot

The orientation of the parking lot to the building is designed for ease of movement. The two delivery docks are accessible to rigs of various lengths due to the design of the parking lot curbs (Figure 9). The parking lot is not completely blocked during the loading/ unloading process due to the extended length of the lot. Access to route 7 which borders the property line to the north-east. Access is increased by three driveways into the parking lot.

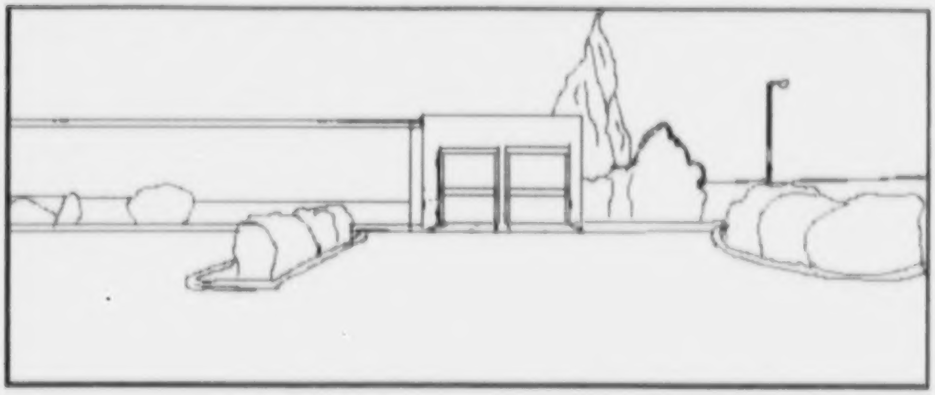


Figure 9. Kinney Loading Dock

Safety considerations also lean towards the Kinney Site. The inclusion of a 300,000 gallon storage tank on the property may allow the fire protection insurance costs to be reduced (Figure 10). Two fire hydrants serve the site, they are connected to the City Municipal System by means of a ten inch main water line. The site also contains a backup generator for the electrical system.

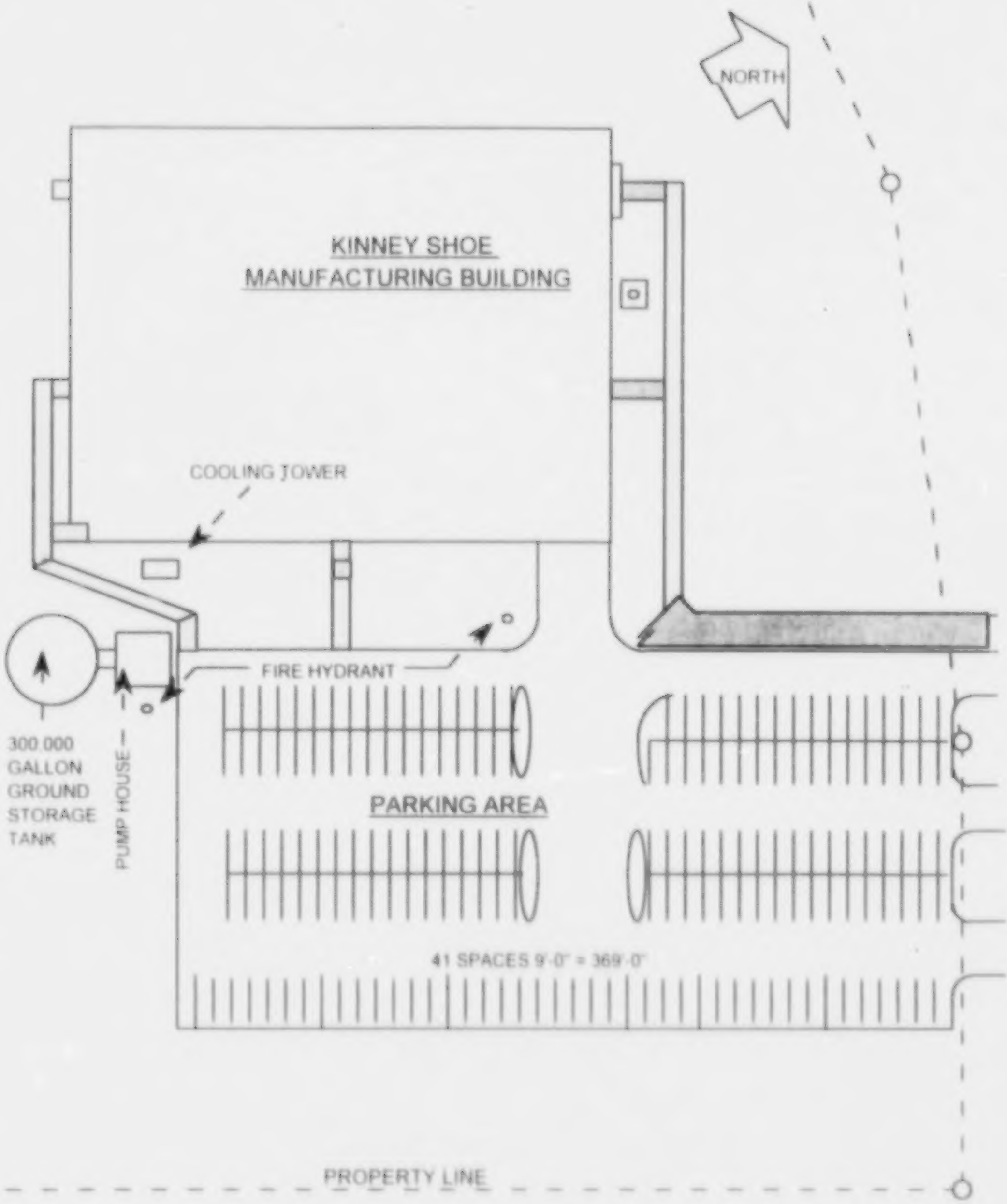


Figure 10. Kinney Site

Interior.

Next we should check the building's interior. Look at the walls, floors, and ceilings in terms of how they meet the requirements of our business. Of the sites available, the King Prime building has a 9' ceiling, main construction is a metal shell exterior. No dimensions are available for the sites interior according to the Morgantown Chamber of Commerce.

The Kinney Building was constructed in 1970 and is of steel construction with a flat roof and 8" reinforced concrete floors (Figure 11). The manufacturing area has a wet type sprinkler system, 4 bay doors with 2 indoor truck docks, fluorescent lighting, 14' ceiling height and electrical heating and air conditioning. The office area has floor covering, finished walls, drop ceiling, fluorescent lighting and electrical heat and air conditioning. The grounds are landscaped.

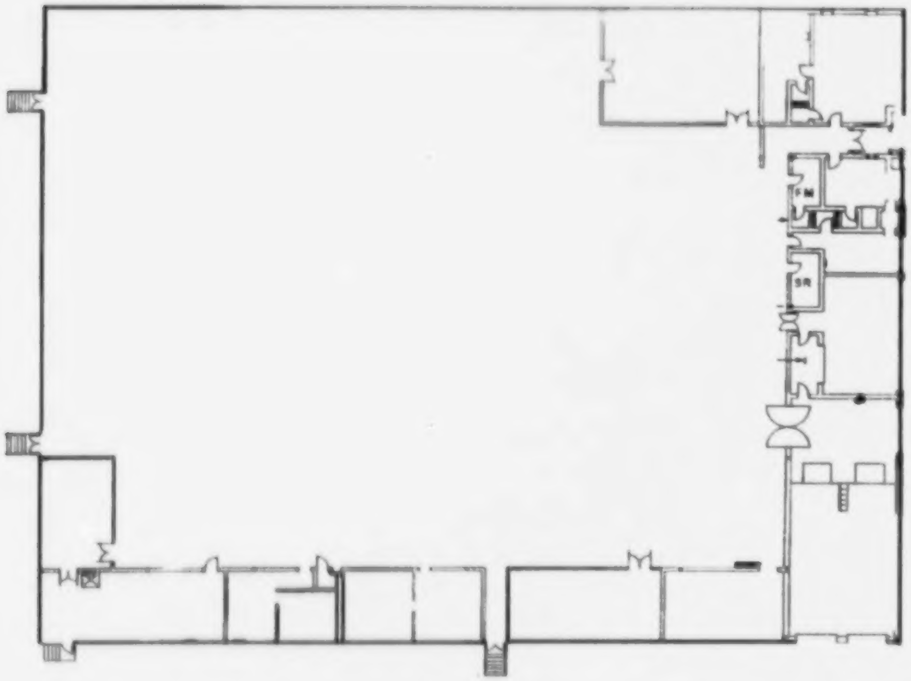


Figure 11. Kinney Floor Plan

Are the buildings functional, attractive, and easy to care for? The Kinney building then has become the focus of our search as it is sound in construction and appearance.

Are there sufficient lighting fixtures and outlets for our needs? The building contains fluorescent lighting throughout. Would we have enough power to run our equipment? The building has 120, 277 and 440 VAC available, and the Kinney Building has its own back up generator. How efficient are the heating and cooling units in the buildings? The Kinney building is favored as it has heaters to put heat where it is needed and electric air conditioning throughout the building.

The exterior of a commercial building makes an important statement about the business within. What is the King Prime one saying as compared to the Kinney building?

ANSWER Kinney building is "user-friendly--it lacks the worn out look of the King Prime Site. It also has very ample parking and easy (ramp) access. Finally, its style blends well with its residential setting (architecturally, it's a good neighbor).The King Prime building looks out of place and appears to be smaller buildings connected together as an afterthought. It just does not look planned.

Consider All the Costs

At this point we will have to consider seriously whether we wish to lease, buy, or build. (Both are more expensive than leasing. Building also involves us in the complications of building codes.) Here, therefore, we'll assume that we will be leasing an existing facility, namely the Kinney Site.

In many respects, the cost of leasing a building is a function of demand. Is the location so desirable that many potential tenants want to lease the site? That will drive up the rent. But that is not the case in the Kinney building. The building has been vacant since 1986 and Sheidow Bronze has recently shown interest in it. Is the type of building in short supply, or are there many similar vacancies? A shortage situation will also drive up the rent. The Kinney building is not very common as we found in our research. Only the King Prime site is similar in style and construction. Is the building new with modern amenities, or is it an older structure with relatively few up-to-date features? A newer facility will cost us more normally, however, in this case the Kinney building is the least expensive and recently constructed of the two. Finally, how much space will we be leasing? The larger the square footage, the more we will have to pay. In general, sites for retail and service businesses are more costly than sites for industrial operations. This is because retail and service sites are found in commercial areas. When such sites are located in malls, they are more expensive still. Thus, a retail or service site in a mall will be very expensive. One in a strip shopping center or office building will be less expensive. Such a site in an industrial area will be least expensive and that is to our advantage. The Kinney building is offering approximately twice the square footage as the King Prime site.

The floor layout will have an affect on the costs associated with production. Figure 12 shows different options available to businesses involved in production operations. The flow of production materials in our site will be determined in part by the entrances and exits and by the total amount of floor space. Our production lineup will discuss the production flow appropriate for our business.

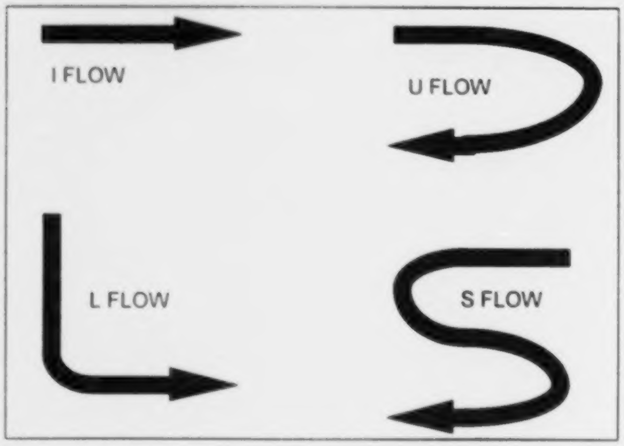


Figure 12. Production Flow

One caution is in order about manufacturing sites such as ours, however. While they are generally the least expensive in terms of the building, they may be more expensive in other respects. For example, manufacturing operations generally pay higher utility, water, and sewage bills.

Thus, when investigating a particular building, we must be sure to consider all the costs associated with it. Forgetting a major expense--such as utilities, lands maintenance, taxes and insurance coverage--can be disastrous to our cash flow down the road. Therefore, we have introduced them here.

The utility expenses are based on estimated usage using the Bender Boot Company data as a guide. The total utility bill for one month is approximately $4,500. The breakdown in Table 6 is based on the amount of building floor space in the production run being used for each utility. Electricity makes up the majority of cost associated with production.

Table 5. Utilities Expense

Base Estimate	Total	$4,500
4%	Gas	$180
8%	Sewage	$360
8%	Water	$360
80%	Electric	$3,600

Landscaping or lands maintenance are another cost that needs to be considered in the costs of operating a business. The weather in West Virginia varies with the time of the year. Summers are mild while winters may snow in traffic and close businesses. To ensure our business is not snowed in we have contracted routine site maintenance to the Preston County Sheltered Workshop. They will be responsible for a variety of tasks including: lawn mowing, trimming, all-season or on-call as needed for $100.00 per month.

Taxes will be based on data provided by the Preston County Tax Assessors office in Kingwood. The parcel is located in Kingwood District and referenced on the strip from the Preston County Tax Map (Figure 13) as parcel

41.4. There are 14.41 acres associated with the site which have been assess at $45,000. The building on the site has been assessed at $385,440, producing a total site assessment by the county at $431,340. Of this value, 14% is taxed. Preston County then will receive $6,038.76 each year in taxes from the site.

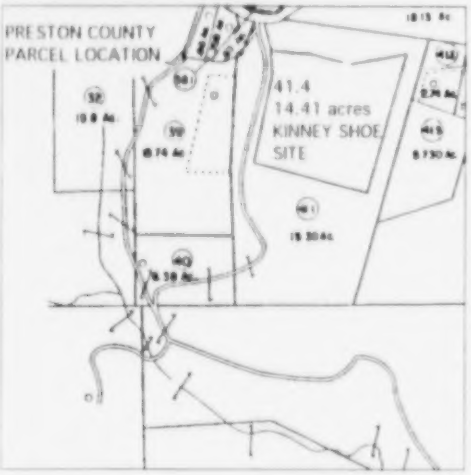


Figure 13. Tax Map

Insurance costs for the site are based on an estimate received from Interstate Insurance Management, Inc. The insurance for the building is at the rate of .731 per $100 of coverage. Working with an estimated $300,000, the rate would be approximately $2,193.00. Contents Coverage insurance includes equipment, office supplies, etc. and is based on a rate of .913 per $100 of coverage. It is figured the same as the building. The contents coverage will include a number of items for our manufacturing business. Estimates of contents are summarized in Table 5.

Table 6. Contents Insurance

Items	Cost	cost of coverage
Production equipment	437,750	4234.04
Office equipment	60,000	547.80
Inventory /materials	303,297.90	2769.11
Total	Contents coverage cost	7550.95

Look at Lease Options

We have the building we would like to rent, we now need to inquire about lease terms. Some of these, no doubt, will already have been mentioned in the course of our study with the owner and realtor of this as well as other sites during our information gathering process.

It is important that we carefully study the lease that we will have to sign. Remember, leases are negotiable. We can discuss and agree upon the terms with the lessor. As with the formation of the company, we will want to have the lease or contract reviewed with our attorney.

There are three basic types of leases:

Gross lease.

A gross lease allows the tenant to rent the facilities from the landlord for a fixed rate, usually paid monthly. The landlord pays the taxes, insurance, and general operating expenses of the facility. (The last category includes such things as outdoor lighting, water, and landscaping maintenance.)

Net lease.

With this type of lease, the tenant pays the taxes and all expenses of operating the facility. This is in addition to a fixed monthly rental payment. The landlord, as the owner, pays the insurance on the building. Net leases are usually long-term leases and are probably the most popular business lease.

The decision to use the Net lease for our company will result in a monthly payment of $14,000 for nine years. At the end of the nine year lease our company has the option of buying the property for an additional $160,000 payment. These figures are based on the current purchase agreement between Sheidow Bronze and the Preston County Commission. The agreement has been modified to allow our company the opportunity to begin business with the least amount of initial expense. The amount of the rent and the other figures are accurate from the current agreement. The $160,000 buyout payment is the major modification the agreement which is opposite of the Sheidow Bronze $160,000 down payment agreement.

Percentage lease.

This is the most complicated type of lease. It can be based on a percentage of the net income of the tenant or on a flat rate plus a percentage of gross revenues. Consider the second type as an example. Each month a business tenant would pay a flat fee. (Usually this would be based on the number of square feet occupied.) In addition, the tenant would pay a percentage of the gross revenues or sales the business brings in annually.

Organizing and Using Our Data

The decision of where to locate our business is one of the most important we will make. As such, it will affect multiple parts of our business plan.

The bulk of the information we gathered will end up in the marketing section of our study. The demographic data on our trade area will find its way into our market analysis. There it will help us in our effort to define the description of our target market. Much of the remaining information will feed into the place strategy of our marketing plan.

Smaller portions of the material will find their way into other sections of our study. The address, for example, would be a necessary element of the business summary. As such, it will be known as: Route 7 West, Kingwood, West Virginia.

The business description may contain passing references to site-related considerations. Rent or mortgage payments, move-in costs, and estimates of any real estate taxes or operating expenses would be recorded in our financial plan section. We may find ourselves entering information in more than one place. We will do this as it is far better to repeat information than risk leaving it out entirely. Gradually, as the various parts of our business plan are reviewed, the relationships to other sections will become understood.

Review

To select a community in which to start our business, we needed to examine the community's economic base, we looked for financial incentives, and analyzed relevant population data. When choosing a site, we looked at the possibility of having a retail business, a wholesale and service business, and finally settled on a manufacturing business with easy access to transportation and to suppliers and raw materials.

A building was chosen based on its suitability for the intended use, the costs involved, and the lease terms.

EOCENE Footwear

The Power To Change The World

PRODUCTION

Production

Organization for Efficient Production Operations

Eocene's production line is set-up to handle the varied individual machine operations required in the manufacture of different styles of cement process shoes and boots. Therefore the planning of work is a major factor in achieving efficient operations. The following section explains the factors that will effect the flow of work, and methods for achieving efficient operation on the production line:

1. Sequence of Operations

Each style has a set sequence of operations. Efforts should be made when the shoe or boot is designed to arrange the sequence to eliminate back tracking in production. The work content of the different operations should be also taken into account so that these can be balanced as far as is possible by standardization. Such differences as remain will inevitably cause leap-frogging to a greater or lesser extent, as the work will not flow evenly from one operation to the next.

2. Runners

The production line will employ the use of four runners who transport bundled work in boxes from one operative to the next, as well as supply and restock lasts for soiling operations. Runners must know the route taken by each style of work in order to route materials to the correct operation. The runner will be under the direct supervision of Quality Control supervisors. In order to avoid bottlenecks and slow down in the flow of work, runners must attempt to retain flexibility, as far as leap-frogging or back-tracking is concerned. Any number of acceptable variation in sequence will be utilized. The runner will also keep a "running" record of volume of work completed by individual operations.

3. Work Content

Even if the sequence of operations remains the same, the work content may vary widely - some styles may have no work content at all for a particular operation (i.e. may not require that operation). It is, therefore, not easy to balance one shoe style against the next, as is desirable to achieve a smooth work flow, and can be done more readily in the stitching & fitting department. Even the lack of balance does not remain constant as this depends on the mixture of styles which is loaded into the department from week to week.

For example, where two styles are involved the work content might be (S.M. = shoes made):

	Operation				
	A	B	C	D	E
S.M. Value Style x	6	22	--	35	17
y	7	15	8	28	22
	+1	-7	+8	-7	+5

Even though the total S.M. value is 80 in each case, no two operations have the same value for x and y. The variation becomes more extreme as the work load may tend to even out.

4. Work Potential Available

To set against the work content to be done is the potential work that is available from the operatives. It is important that this should be calculated according to the known performance of the individuals concerned. The estimated performance of the operatives tends to drop sharply if they are put onto unmeasured work because of the lack of direct incentive. For this reason we shall implement an incentive system after we have established baseline output data.

Also the work potential available will be altered if operatives are temporarily absent. It will also be affected by any breakdown of machines indeed it is often the availability of machines that is the limiting factor, so that it makes sense that a well equipped maintenance department is a worthwhile expense.

Accordingly, the work potential available should be re-assessed daily according to the actual circumstances prevailing, or immediately if there is any known change.

5. Balance of Work

A balance of work can be achieved by comparing the work content to be done with the work potential available. If the work content exceeds the work potential for any operation, a bottleneck will occur. If the work potential exceeds the work content, those particular operatives may be short of work and, provided they are versatile, will be available for other operations. Bottlenecks will restrict the flow of work to subsequent operations.

They will also affect previous operations, as the completed work cannot be accepted, and the input will have to be re-balanced. Both are equally undesirable and may involve heavy "no work" or overtime payments. Possible bottlenecks should be noted daily after comparing work content to work potential and close watch kept to see that they do not develop.

6. Training

Training may be a continual process owing to a comparatively high turnover of labor. The problem is further complicated by the periodical changeover in styles. Not only may this require the re-orientation of existing operatives onto similar jobs on the new styles, but it may involve re-training them onto dissimilar jobs to achieve versatility and the balance of work potential available/work content loaded, which the revised demands.

7. Reserve Operative Capacity

It would be optimistic to rely on 100% activity form all operatives, as unpredictable contingencies are liable to upset any loadings based on such an assumption. There are two ways of allowing for this:

- to have a small number of operatives who are versatile and whose potential performance is not taken into account when calculating loadings. They should be paid a special payment for exceptional versatility.
- to calculate loadings only for a 9.5 hour day, leaving a half hour unloaded as a safety margin.

The extra capacity is necessary in either case. The first alternative attempts to prevent bottlenecks by using versatile operatives to ease them as they occur; the second accepts that operations will get out of step and looks to the normal operative to effect the balance in time allowed. A third option is to run an extra shifts as needed.

Equipment, Operations and Production Sequence

The following section describes each operation performed in the production of EOCENE's top of the line hiking/work boot. The 33 operations are listed in sequential order, although all operations may not be needed for some styles. The sequence number is listed on the left. To the right of the sequence number is the job title and the employee number or numbers, since some operations require up to six or seven of the same machines to prevent bottlenecking. For example, 6 Stitch maker 14-15 means that it is the 6th operation in production sequence. Stitch maker is the job title, and 14-15 designates that there are two stitch making machines which are run by employees number 14 and 15. By locating #14 and #15 on the Process Flow Chart (Fig. 3-1) you can find out where and when in the production process that operation takes place. Also, by finding #14 and #15 on the Plant Layout (Fig. 3-2) you can see where this operation will be located in the factory.

(Note: Unless otherwise specified, once components are bundled and marked by operators at each individual workstation, they will be transported to the next workstation by Runners, whose duties are explained in detail in Section A, Organization For Efficient Production Operations.)

1. Cutter 1

This employee will operate the Atom Hydraulic Traveling Head Cutting Press. The employee will take rolls of lining fabric and by setting metal templates to desired designs and sizes will produce the pieces of cloth necessary for each pair of boots. These pieces will be bundled and marked and matched with leather components after they have been cut.

2. Clicker 2-8

These seven employees will cut components (vamps, aprons, trim, etc.) from tanned hides for the uppers of the shoe or boot being produced. Since no two skins are the same shape, size and substance (thickness), and no two skins have blemishes in exactly the same place, a clicker must have good reasoning ability, to cut economically by interlocking different shapes onto each other, and to plan ahead to achieve maximum number of cut components from a skin. After making 12 cuts in a particular size and style. The components will be bundled and labeled.

3. Splitter 9

The employee at this workstation will operate the Fortuna Bandknife Splitter. The components to be skived are fitted to a rubber matrix which is preshaped to conform to the desired end result. As component and matrix are passed through the machine, the machine removes substances from the reverse side of the material where the thickest parts of the matrix have applied pressure. When the process is complete the operator removes the split components and bundles in sets of twelve.

4. Skiver 10-12

Each of these three employees will operate a Fortuna Skiver. Each operators will receive only one component to be skived at a time since these machines may be set for only one skive at a time. The operators must at times adjust or change the foot of the machine for alternative types of skiving. Finished components will be bundled in sets of twelve.

5. Stamper 13

The operator at the Markem Foil Stamper receives only one component and sets this component into the machine so that the EOCENE (or any other) logo may be embossed into the leather. Finished components will be bundled in sets of twelve.

6. Stitch maker 14-15

The operators at the two Edwards Stitch making machines will receive certain upper components to be marked (notched), which will enable other operations further down the production line (primarily stitchers) to position the upper section accurately when stitching. Both makers and guides need to be changed for each style, and at certain increments in size (e.i. 7 - 9.5, 10 - 12). Finished components will be bundled in sets of twelve.

7. Latex Cementer 16

The operator at the Potdevin Latex Cementer applies cement onto components that need to be doubled up before the stitching or soling process (e.i. heel cups, toe puffs, etc.). Finished components will be bundled in sets of twelve to be given directly to the combiner.

8. Combiner 17

The operator at the Knight Combining Press works in conjunction with the Latex Cementer. The combining press with its heat and pressure ensures a strong bond between the components being combined. Components are bundled in sets of twelve.

9. Eyeletter 18

The operator of the U.S.M. Eyeletter places the component into the machine, which first punches a hole and then inserts the eyelet, clinting over the reverse side. Finished components are bundled in sets of twelve.

10. Lacer 19

The operator at the U.S.M. Ensign Lacer laces facings at a predetermined distance apart to ensure accurate lasting. Finished components are bundled in sets of twelve.

11. Closer 20-21

The operators on the two Union Special Closing machines sew lockstitch seams. The lockstitch seam presents a bold decorative effect of the 'moccasin seam' which a feature on many styles of our shoes and boots. This seam can also be sewn on the bottom part of uppers, locking heel cups and toe puffs on the underside before soling. Components are bundled in sets of twelve.

12. Single Needle Flat Bed Fancy Lining Stitchers 22-27

These six operators will sew linings onto components as well as do trim stitching. Components will be bundled in sets of twelve.

13. Single Needle Post Vampers 28-33

Because of this machines raised surface area it allows these six operators easier fitting and stitching of vamps on partially closed uppers. Components will be bundled in sets of twelve.

14. Single Needle Post Vampers with Knife Attachments 34-39

These six operators will topstitch above eyelets and along certain vampseams, cutting off excess material. Components will be bundled in sets of twelve.

15. Two Needle Flat Bed Sewers 40-41

These two operators will sew the tongue to the vamp, and add reinforcing stitches in certain areas. Components will be bundled in sets of twelve.

16. Two Needle Post Sewers 42-47

These six operators will sew the aprons to the vamps. Components will be packaged in sets of twelves.

17. Zig Zag Sewers 48-49

These two operators will sew the lining to the upper, or be utilized infancy stitching operations. Components will be bundled in sets of twelve.

18. Back Seam Taper 50

The operator of the Prime Back Seam Taper will close the upper along the back seam using horizontal double stitches. After the completion of each pair of uppers, he/she will place the finished upper on a revolving tree A.

19. Thermal Cementer & Folder 51

The operator at the Thermal Cementing and Folding Machine first takes the upper as he receives it from tree A, then takes the proper lasts from the last stand, which is being constantly restocked by a runner or "versatile operative." Second, he places the last and upper into the machine which first folds the upper under the last, and the applies cement to the lasting edge of the upper and insole before lasting. When process is complete uppers w/ lasts are placed on revolving tree B.

20. Trimmer 52

The operator of the Colli All Purpose Trimmer trims off express material that exists, on the folded edge of the upper. When process is complete he places lasts with uppers on revolving tree C.

21. Inside Tracker 53

This operator gets upper with last from tree C and tacks insoles into the inside of the boot, as well as applying one tack in the toe area that anchors the upper and insole to the last. When process in complete these are placed in a horizontal holding rack D.

22. Vamp Conditioner 54-55

The operators of the two Sigma Vamp Conditioners takes lasts and uppers from the holding rack D, and place these into the brackets inside the machine, which then blows a rapid stream of hot water vapor over the uppers. Once the process is complete, the operator places the conditioned uppers on holding rack E.

23. Upper Premolder 56

The operator of the Alpha Upper Premolder gets conditioned uppers from holding rack E. In the machine the nincers grip and pull the upper

The result in that the upper is correctly drafted into position over the last. These are then placed on holding rack F.

24. Pull and Toe Laster 57-58

The operators of the Moling Bianchi Sincron Pull and Toe Laster stretches the upper over the toe. Following this, heated metal wipers plates move inwards in a horizontal plane under the bottom of the forepart S. wiping the upper material against the insole and sticking it down. A final downwards pressure know as the "bedding pressure" ensures that the lasting allowance is personal flat to the insole. After the shoe is released from the machine and placed on holding rack G.

25. Humidifier for Heal Seats 59

This operator of the Elettrotecnica Humidifier conditions the heal seats for lasting. When process is holding rack H.

26. Thermo Seat and Side Laster 60

The operator of this machine takes lasts and uppers from holding rack H and sets then into the seat and side laster. While the upper is gripped by twin rollers a third roller, paralleled to the insole secures the upper to the insole waste. The machine also employs a hot melt extrusion. These are passed into holding rack I.

27. Heat Setter 61

The operator of the Elettrotecnica Heat Setter places the upper and last into the machine to speed up the glue drying process. These are then placed on rack J.

28. Toe Grinder 62-63

The operators of Compo Toe Grinders in order to present and ideal surface for sole cementing, must sand flat and rough the bottom surface. Boots ready for sole cementing are placed on rack K.

29. Bottom Cementer 64

The operator of the U.S.M. Bottom Cementer place boots into machine where a roller applies cement to the bottom surface. These are then placed on rack L.

30. Sole Presser 65

The operator at the Sigma Hydraulic Sole Press takes precemented boots from rack L and positions the boot on the press. Because sole bonding is such a critical process, frequent checks are essential to ensure that good bond are being obtained. The boots are them placed on rack M.

31. Flash Activator 66

The operator of the Elettrotecnica Flash Activator trims off any flash or extra cement that may have been pushed out during cementing or soling. The boots are then placed on rack N.

32. Heat Blower 67

The operator of the Elettrotecnica Heat Blower places boots in the machine to speed up the cement drying process. The boots are then racked on rack O to cool for roughly one hour.

33. Last Puller 68

The operator of the Schon Hydraulic Last Puller after slipping boots off the last, places lasts on rack O and finished boots onto rack P. When there are one dozen boots on the rack, a runner will bring the last back to the last rack, and the finished boots to the packing and labeling dept.

N/A Packers and Labelers 69-70

Packers and Labelers build boxes, pack boots and label. Packers and labelers are responsible for keeping a running inventory, preparing packages for shipping, loading packages and unloading materials.

N/A Runners 71-74

These operatives transport work and materials from one operative to the next. Since runners understand the routing of components in the sequence of production they can leap-frog and back-track materials to avoid bottlenecks or work slowdown. Also responsible for keeping a running record of work competed by individual operatives.

N/A Maintenance 75-77

These employees will perform all types of preventative, routine and emergency maintenance on production machinery and the facility in general.

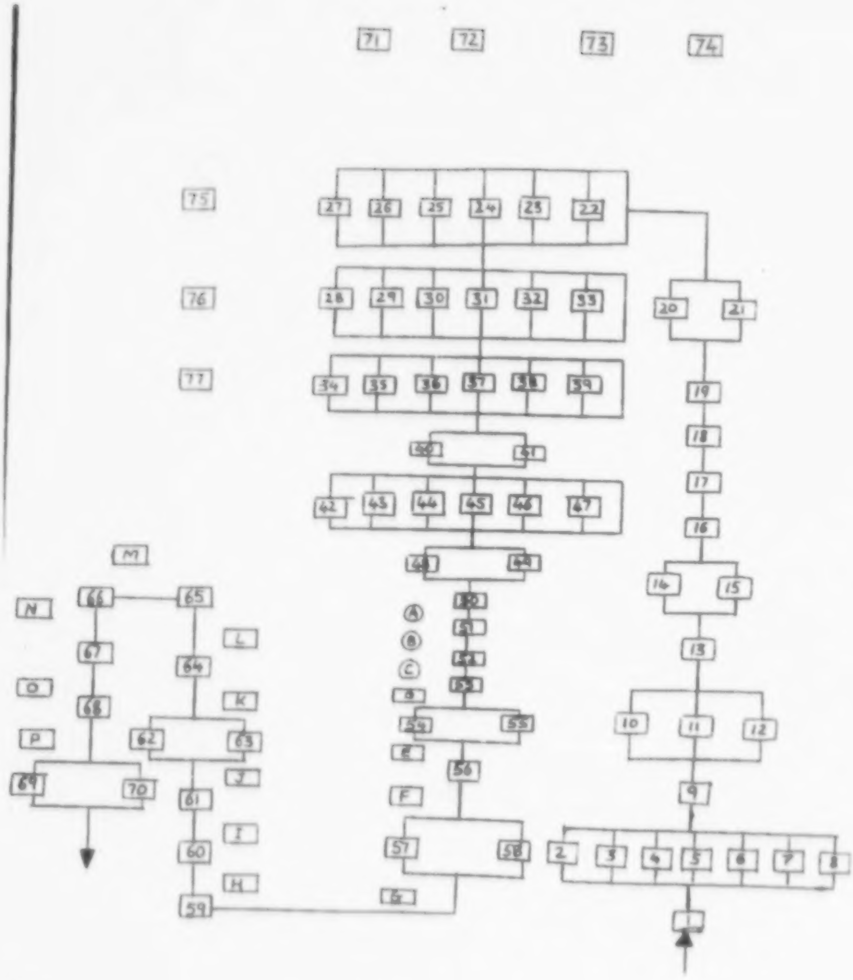


Figure 3-1 - Process Flow Chart

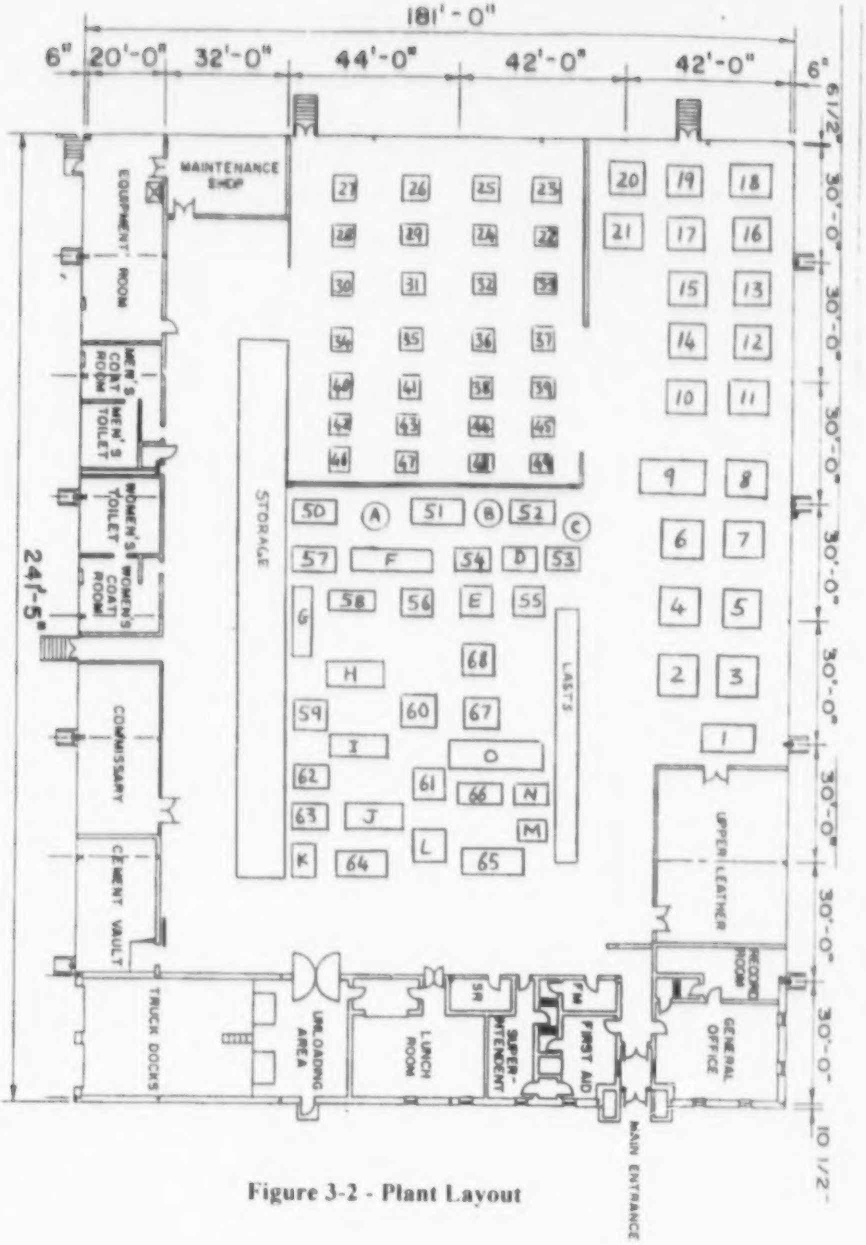


Figure 3-2 - Plant Layout

Production Equipment Costs

The following equipment supplied by Hudson Machinery Corp. will be needed to manufacture 1,200 pairs of men and women shoes and/or boots per 10 hour day. The equipment lists (Table 3-1 to 3-7) specify department production sequence number, quantity needed, machine, unit cost, and total cost (Table 3-7 outlines total production set-up cost). A more complete description of the equipment can be found in Volume II of the prospectus.

Table 3-1 - Cutting Department Costs

Sequence no.	Quantity	Machine	Unit Cost	Total Cost
1	1	Hydraulic Traveling Head Cutting Press	$16,300.00	$16,300.00
2	7	Hydraulic Clicker	$6,950.00	$48,650.00
3	1	Bandknife Splitter	$24,900.00	$24,000.00
4	3	Skiver	$3,250.00	$9,750.00
5	1	Foil Stamper	$4,800.00	$4,800.00
6	2	Stitch marker	$1,475.00	$2,950.00
7	1	Combining Press	$1,750.00	$1,750.00
8	1	Latex Cementer	$1,950.00	$1,950.00

Table 3-2 - Stitching & Fitting Dept.

Sequence no.	Quantity	Machine	Unit Cost	Total Cost
9	1	Lacer	$7,450.00	$7,450.00
10	1	Eye letter	$8,950.00	$8,950.00
11	2	Closing Machine	$875.00	$1,750.00
12	6	Single Needle Flat Fancy and Lining Stitcher	$775.00	$4,650.00
13.	6	Single Needle Post Vamper	$1,000.00	$6,000.00
14	6	Single Needle Post Vamper w/ Knife Attachment	$1,100.00	$6,600.00
15	6	Two Needle Post Sewer	$975.00	$5,850.00
16	2	Two Needle Flat Bed	$975.00	$1,950.00
17	2	Zig Zag Machine	$875.00	$1,750.00
18	1	Back Seam Taper	$1,475.00	$1,475.00
19	1	Thermo Cementing and Folding Machine	$4,750.00	$4,750.00
20	1	All Purpose Trimmer	$4,750.00	$4750.00
N/A	36	Stands w/ Clutch Motors	$375.00	$13,500.00

Table 3-3 - Lasting Room Costs

Sequence no.	Quantity	Machine	Unit Cost	Total Cost
21	1	Insole Tacker	$3,750.00	$3,750.00
22	1	Upper Premolder	$23,750.00	$23,750.00
23	2	Vamp Conditioner	$4,250.00	$4,250.00
24	2	Pull and Toe Laster	$32,500.00	$65,000.00
25	1	Humidifier	$2,750.00	$2,750.00
26	1	Thermo Cement Laster	$6,000.00	$6,000.00
27	1	Thermo Seat and Slide Laster	$45,000.00	$45,000.00
28	1	Heat Setter	$19,750.00	$19,750.00
29	1	Wrinkle Chaser	$4,250.00	$4,250.00
30	2	Toe Grinding and Roughing Machine	$3,500.00	$7,000.00
31	1	Bottom Cementer	$2,400.00	$2,400.00
32	1	Bottom Cementer	$5,800.00	$5,800.00
33	1	Flach Activator	$4,250.00	$4,250.00
N/A	84 pair	Polyethyl men's and women's lasts	$80.00	$6,720.00

Table 3-4 - Packing Department Cost

Sequence no.	Quantity	Machine	Unit Cost	Total Cost
34	1	Heat Blower	$1,275.00	$1,275.00
35	1	Hydraulic Last Puller	$2,400.00	$2,400.00
36	1	Pump Former	$4,750.00	$4,750.00

Table 3-5 - Equipment Set-up & Training Cost

	Cost
2 Hudson Technicians (2 wks. Salary)	$8,000.00
2 Round-trip air fairs	$700.00
Food and Hotel	$1,300.00
Total	$10,000.00

Table 3-6 - Maintenance Equipment Costs

Quantity	Item	Unit Cost	Total Cost
1	14" wood & metal band saw	$1,130.00	$1,130.00
1	10" offhand grinder	$490.00	$490.00
1	15" variable speed drill press	$1,600.00	$1,600.00
1	12" x 36" engine lathe w/ accessories	$3,550.00	$3,550.00
N/A	miscellaneous hand tools, power tools, electronic diagnostic equipment, accessories, etc. as specified by maintenance personnel.	$3,330.00	$3,330.00

Table 3-7 - Total Production Start-up Cost

Department	
Cutting	$110,450.00
Stitching & Fitting	$72,175.00
Lasting	$262,700.00
Packing	$8,425.00
Total Equipment Cost	$453,750.00
Equipment Training & Set-up	$10,000.00
Maintenance Related Set-up	$10,000.00
Total Plant Equipment Start-up Cost	$473,750.00

EOCENE Footwear

The Power To Change The World

DESIGN

Design

Introduction

Any time a company must choose a product or service as a basis for their business there are several basic questions that must be answered. What product or service will be offered in the marketplace? Why this product or service? How will this product or service be provided? How many of a product, or how much of a service? The owners/investors must decide what are the acceptable answers to these questions.

Some of the guidelines that were set down for this consulting firm by the investors included a need for employment of local personnel, renewable or plentiful materials, the product or service must be useful and have a potential market beyond the local area, it must be non-polluting, and must be operational within one year.

While looking for answers within the parameters set down by the investors this consulting firm found that a viable product that can be produced in this area with a minimal amount of time and expense devoted to training the work force would be the manufacture of boots and shoes. There had been a shoe manufacturer in the area in the recent past, which means there is an acceptable facility in the area. And the foundations of a work force with the requisite skills and aptitudes is available to be tapped. The materials, etc. required to produce boots and shoes are readily available and in plentiful supply throughout the country. Also, the products and materials used in this type of enterprise have been developed to reflect the country's growing concern with environmental pollution to be non-intrusive and non-polluting.

By carefully analyzing the domestic production market currently producing boots and shoes this firm reached the conclusion that setting a goal of capturing approximately 1% of the domestically produced market would meet the majority of the guidelines set forth by the investors, as well as, being an obtainable one. Future growth of the enterprise is projected at the rate of 2% growth in productivity per year, which is also a reasonably obtainable goal.

The next step to be taken would be the design of the first styles of boots and shoes to be produced. It was learned that there is a market for hiking/casual boots for men and women, for workboots (with and without steel toes), and casual shoes, therefore, these were the basic types of products that would be designed and would be used for the startup of this enterprise.

Boot And Shoe Designs

The basic designs that were developed are two styles of workboots (both available with or without steel toes). The first style is a high top, laceup boot, with an oil-resistant and slip-resistant sole. The second style is a medium height laceup

,again, with an oil-resistant and slip resistant sole. Both of these styles are to be make from a heavy duty, wear resistant, durable weight leather.

The casual/hiking boots designed are two styles each for men and women. Both of the men's boots are a medium height, laceup boot. The first style is made from a smooth, wear resistant, water resistant leather. The second style is made from suede. The soles used for both styles of men's boots will be made from recycled products. The first style of boot for women is a medium height, laceup made from smooth, water resistant leather. The second style is a low top boot made from suede and has a moccasin look. Both styles of boots for women will have a composite, long wearing, and comfortable type of sole.

The casual shoes for both men and women are a low cut, slip-on style. The men's shoe has tabs on the vamp with a lace that allows a small amount of adjustment across this area. The women's shoe has a lace that is attached at the sides, again, allowing for a small amount of adjustment in fit in the vamp area. Both styles of shoes are made from a durable, water resistant leather and cushioned, long wearing soles.

All materials chosen for these boots and shoes were chosen for their characteristics of high quality, durability and comfort to give the customers a long lasting, comfortable, and attractive product. All styles have sturdy, durable, cushioning type soles that will be long-lived and provide comfort for the wearers foot.

Material costs per pair

Workboot #1 with Steel Toe

Material	Cost	Unit	Quantity	Total
Leather	3.20	sq.ft.	5	16.00
Lining	0.53	sq.ft.	3	1.59
Collar	0.50	pair	1	0.50
Laces	0.65	pair	1	0.65
Soles	7.63	pair	1	7.63
Stiffiner	0.50	pair	1	0.50
Toe Puff				0.00
Adhesive	0.05	pair	1	0.05
Eyelets	0.12	pair	4	0.48
Hooks	0.18	pair	3	0.54
D-Rings				0.00
Steel Toes	1.00	pair	1	1.00
Thread	0.15		1	0.15
Total Cost per pair				29.09

Material costs per pair

Workboot #2 with Steel Toe

Material	Cost	Unit	Quantity	Total
Leather	3.20	sq.ft.	4.75	15.20
Lining	0.53	sq.ft.	2.75	1.46
Collar	0.50	pair	1	0.50
Laces	0.65	pair	1	0.65
Soles	7.63	pair	1	7.63
Stiffiner	0.50	pair	1	0.50
Toe Puff				0.00
Adhesive	0.05	pair	1	0.05
Eyelets	0.12	pair	3	0.36
Hooks	0.18	pair	3	0.54
D-Rings				0.00
Steel Toes	1.00	pair	1	1.00
Thread	0.15		1	0.15
Total Cost per pair				28.04

Material costs per pair

Workboot #1 without Steel Toe

Material	Cost	Unit	Quantity	Total
Leather	3.20	sq.ft.	5	16.00
Lining	0.53	sq.ft.	3	1.59
Collar	0.50	pair	1	0.50
Laces	0.65	pair	1	0.65
Soles	7.63	pair	1	7.63
Stiffiner	0.50	pair	1	0.50
Toe Puff	0.25	pair	1	0.25
Adhesive	0.05	pair	1	0.05
Eyelets	0.12	pair	4	0.48
Hooks	0.18	pair	3	0.54
D-Rings				0.00
Steel Toes				0.00
Thread	0.15		1	0.15
Total Cost per pair				28.34

Material costs per pair

Workboot #2 without Steel Toe

Material	Cost	Unit	Quantity	Total
Leather	3.20	sq.ft.	4.75	15.20
Lining	0.53	sq.ft.	2.75	1.46
Collar	0.50	pair	1	0.50
Laces	0.65	pair	1	0.65
Soles	7.63	pair	1	7.63
Stiffiner	0.50	pair	1	0.50
Toe Puff	0.25	pair	1	0.25
Adhesive	0.05	pair	1	0.05
Eyelets	0.12	pair	3	0.36
Hooks	0.18	pair	3	0.54
D-Rings				0.00
Steel Toes				0.00
Thread	0.15		1	0.15
Total Cost per pair				27.29

Material costs per pair

Casual/Hiking Boot #1 (Mens)

Material	Cost	Unit	Quantity	Total
Leather	3.20	sq.ft.	4.75	15.20
Lining	0.53	sq.ft.	2.75	1.46
Collar	0.50	pair	1	0.50
Laces	0.65	pair	1	0.65
Soles	5.00	pair	1	5.00
Stiffiner	0.50	pair	1	0.50
Toe Puff	0.25	pair	1	0.25
Adhesive	0.05	pair	1	0.05
Eyelets				0.00
Hooks	0.18	pair	2	0.36
D-Rings	0.23	pair	4	0.92
Thread	0.15		1	0.15
Total Cost per pair				25.04

Material costs per pair

Casual/Hiking Boot #2 (Mens)

Material	Cost	Unit	Quantity	Total
Suede	4.80	sq.ft.	4.75	22.80
Lining	0.53	sq.ft.	2.75	1.46
Collar	0.50	pair	1	0.50
Laces	0.65	pair	1	0.65
Soles	5.00	pair	1	5.00
Stiffiner	0.50	pair	1	0.50
Toe Puff	0.25	pair	1	0.25
Adhesive	0.05	pair	1	0.05
Eyelets				0.00
Hooks	0.18	pair	2	0.36
D-Rings	0.23	pair	4	0.92
Thread	0.15		1	0.15
Total Cost per pair				32.64

Material costs per pair

Casual/Hiking Boot #1 (Womens)

Material	Cost	Unit	Quantity	Total
Leather	3.20	sq.ft.	4.5	14.40
Lining	0.53	sq.ft.	2.5	1.33
Collar	0.50	pair	1	0.50
Laces	0.65	pair	1	0.65
Soles	3.42	pair	1	3.42
Stiffiner	0.50	pair	1	0.50
Toe Puff	0.25	pair	1	0.25
Adhesive	0.05	pair	1	0.05
Eyelets				0.00
Hooks	0.18	pair	3	0.54
D-Rings	0.23	pair	4	0.92
Thread	0.15		1	0.15
Total Cost per pair				22.71

Material costs per pair

Casual/Hiking Boot #2 (Womens)

Material	Cost	Unit	Quantity	Total
Suede	4.80	sq.ft.	4.5	21.60
Lining	0.53	sq.ft.	2.5	1.33
Collar	0.50	pair	1	0.50
Laces	0.65	pair	1	0.65
Soles	3.42	pair	1	3.42
Stiffiner	0.50	pair	1	0.50
Toe Puff	0.25	pair	1	0.25
Adhesive	0.05	pair	1	0.05
Eyelets	0.12	pair	4	0.48
Hooks				0.00
D-Rings				0.00
Thread	0.15		1	0.15
Total Cost per pair				28.92

Material costs per pair

Casual Shoe (Mens)

Material	Cost	Unit	Quantity	Total
Leather	3.20	sq.ft.	2.5	8.00
Lining	0.53	sq.ft.	1	0.53
Collar		pair		0.00
Laces	0.31	pair	1	0.31
Soles	4.77	pair	1	4.77
Stiffiner	0.50	pair	1	0.50
Toe Puff	0.25	pair	1	0.25
Adhesive	0.05	pair	1	0.05
Eyelets	0.12	pair	1	0.12
Hooks				0.00
D-Rings				0.00
Thread	0.10		1	0.10
Total Cost per pair				14.63

Material costs per pair

Casual Shoe (Womens)

Material	Cost	Unit	Quantity	Total
Leather	3.20	sq.ft	2.25	7.20
Lining	0.53	sq.ft	1	0.53
Collar				0.00
Laces	0.31	pair	1	0.31
Soles	3.42	pair	1	3.42
Stiffiner	0.50	pair	1	0.50
Toe Puff	0.25	pair	1	0.25
Adhesive	0.05	pair	1	0.05
Eyelets	0.12	pair	1	0.12
Hooks				0.00
D-Rings				0.00
Thread	0.10		1	0.10
Total Cost per pair				12.48

Product Testing and Safety

All product testing for quality would be handled in house by the plant manager and the production supervisors. Periodically (at minimum twice daily) a sampling of the items currently under manufacture would be pulled from the line and tested for quality of materials and construction.

The materials used to manufacture the products would be purchased only from suppliers who have tested and verified that they are hypoallergenic to insure that our customers would not be likely to have an allergic reaction to the materials, dyes, etc. that are used. All materials would be required to meet government and industry safety and quality standards. Steel toes used in manufacture of boots by Eocene would be required to meet or exceed ANSI (American National Standards Institute) standards. For example, if the toe is rated as class 75, it must be able to withstand an impact of 75 foot-pounds and compression of 2500 pounds.

All products would carry a 100% guarantee for the life of the materials used to produce the items manufactured by this company.

Materials

Materials required to manufacture boots and shoes include:

adhesive
collar
d-rings
eyelets
hooks
laces

leather
lining material
soles/heels
steel toes
stiffener
thread
toe puff

Materials can be acquired form the following sources:

Renovah Manufacturing	leather
	lining material
	collar (pre-assembled)
Warthan Industries	adhesives
A. Lyons	eyelets
	hooks
	d-rings
	thread
	steel toes
	toe puffs
	stiffeners
Auburn Leather	laces
Quabaug	soles/heels

Material specifications:

Leather	water resistant
	4 1/2 ounce
Lining material	Coolmax
	used by military
	made by Dupont
	laminated
	3/32 foam filler
	wicking channels

	available in assorted colors & surface materials
Collar	pre-assembled foam padded available in assorted colors & surface materials
Adhesives	meet industry standard for safety non-polluting
Eyelets	available in assorted materials & colors
Hooks	available in assorted materials & colors
D-rings	available in assorted materials & colors
Thread	available in assorted colors water resistant
Steel toes	meet industry safety standards
Toe Puffs	meet industry standards
Stiffeners	pre-formed meet industry standards
Laces	struck through 9/64" available in assorted colors
Soles/Heels	pre-formed available in standard sizes Composite material slip resistant oil resistant meet industry safety standards available in assorted colors

All materials must be pre-formed or ready to cut and use. No further processing to be performed at the manufacturing plant.

New Product Development

Products. Products to be considered for future development include different types of boots and shoes. These would not require any changes in equipment or processes within the factory. If different materials (i.e. manmade materials) are desired other sources of supply would need to be located.

Different products that would lend themselves to being manufactured using the same types of equipment and processes would include: belts, purses, and leather clothing, gloves, leather hats (would require blocking equipment), sport sandals, children's shoes and boots, and hard to find sizes of shoes and boots.

Related products that could be considered for development and future manufacture include: shoe care products (such as cleaners, polishes, water proofing), and toys (for both people and pets). These products would require further research and development. They would also require different equipment and processes to manufacture. Most importantly, these products would require extensive expansion of the facilities to accommodate the equipment, materials storage and personnel needed to manufacture them.

Research and Development. As long as the items produced by this company are boots and shoes the research and development of new items will be handled by the designer who is employed full time by the company. If expansion into other areas is desired then the research and development will be contracted out. The other possibility for expansion into other areas would be to expand the research and development capabilities of the company. This would require careful study and consideration by the investors/owners and would, likely, entail a sizable capital outlay.

Production Analysis

After extensive review of the literature and conversations with persons involved in the industry it was discovered that the majority of boots and shoes are machine stitched with human control; with each person in the production line responsible for one step in the process as is found in the assembly line method of production. On going research in the area of boot and shoe manufacture has not, to date, developed a machine or computer controlled process that can duplicate the steps required to produce boots and shoes more accurately or more efficiently than is currently being done by hand. Close observation of developments in this area must be maintained in order to keep this company a viable one into the 21st Century.

Social and Economic Impact

There are at this time 1,176 unemployed persons in Preston County which gives this county an unemployment rate of 10.5%. This company would initially hire 124 people. Approximately 110 would, most likely, be from in county which would reduce the unemployment figure to 1,066. This would reduce the unemployment rate to 9.1%, if employment occurs as projected.

By employing over 120 people to work for this company Eocene would become one of the largest employers in the county. Given the current employment figures by employer only 5 other employers in the county would employ more workers that Eocene. Only 1 of these employers is in the private sector, the others are either state run or are health care facilities.

By increasing the number of employed persons within the county Eocene would also stimulate the local economy by circulating more funds within the county and by the increased demands for related support services available. Anticipated payroll for Eocene will be in excess of $2,200,000 per year. The majority of this income is expected to stay in county. Also the increased infusion of taxes and related fees would give the economy of Preston County and the surrounding areas a much needed stimulus.

EOCENE Footwear

The Power To Change The World

MARKETING

Marketing

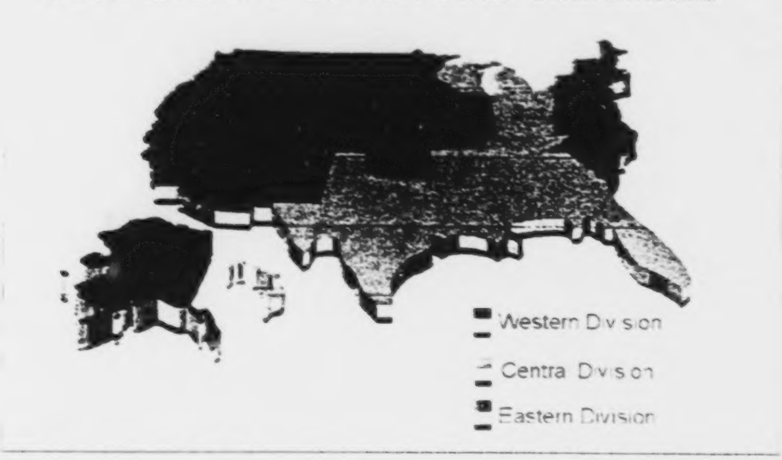
Target Market

In order to reach a profitable sales margin, it is our responsibility to cater our product to suit the needs of a variety of people. We should not only seek customers who need our product for a specific purpose, such as hiking, but also customers who would enjoy using our product simply as an article of clothing. While we will seek to sell our product through shoe wholesale, direct-mail marketing and independent contracting, we still need to identify the end-user.

End-user and demographics. Our customer base should not be limited, but our main emphasis for our first year should be in the United States. Figure 1, shows the suggested division of the United States of the target markets, called Sales Divisions. These divisions were made according to 1993 statistics for Wholesale Sales per state. The divisions and their respective, potential total wholesale sales are: Western Division, $861 million, Central Division, $835 million and Eastern Division $855 million.

In consideration of the characteristics of the end-user, a customer profile identifying an ideal customer, is another factor in the selection of our target markets within each Sales Division, called Sub-Divisions. This profile includes the age range, sex, probable product usage, income of an ideal

Figure 1. Domestic Sales Divisions



customer and environment that the shoes will be used in. Age range was determined by deciding upon they typical age ranges for those who might purchase the product for use in the probable product usage category. Sex was determined by the style of the shoe, for either male or female. Income was figured by using an estimated weekly salary compared to the price of the product and usage. For example, if a person made a weekly salary of $200, he would more likely opt not to purchase a $120 pair of boots for casual wear, but he might purchase a $120 pair or boots if they were necessary for his job. From using this profile, we can cater our sales to a specific region depending on the needs of the end-user. This customer profile shall be completed for each of our existing products and any future products. Following is a listing of our existing products and each respective customer profile.

Product	Customer Profile
Steelman Workboot	Age Range: 18-47 Sex: Male Probable Usage: personal protection Income: $25,000+ Environment: construction, mining, other industrial
Steelridge Workboot	Age Range: 18-47 Sex: Male Probable Usage: personal protection apparel Income: $25,000+ Environment: construction, mining, other industrial
Ridge Runner Workboot	Age Range: 18-47 Sex: Male Probable Usage: personal protection apparel Income: $25,000+ Environment: light duty construction, light duty industrial
Rock Runner Workboots	Age Range: 18-47 Sex: Male Probable Usage: personal protection apparel Income: $25,000+ Environment: light duty construction, light duty industrial

Mountain Walker Hiking Boot	Age Range: 13-35 Sex: Male Probable Usage: Hiking, casual Income: $20,000 Environment: any, especially rocky, mountainous areas
Kingwood Hiking Boot	Age Range: 13-35 Sex: Male Probable Usage: Hiking, casual Income: $20,000 Environment: any, especially rocky, mountainous areas
Mountain Lynx Hiking Boot	Age Range: 13-27 Sex: Female Probable Usage: Hiking, casual Income: $20,000 Environment: any, especially rocky, mountainous areas
Queenwood Hiking Boot	Age Range: 13-27 Sex: Female Probable Usage: Hiking, casual Income: $20,000 Environment: any, especially rocky, mountainous areas
Dockford Shoe	Age Range: 23+ Sex: Male Probable Usage: Casual Income: $25,000 Environment: any
Lady Dockford Shoe	Age Range: 23+ Sex: Female Probable Usage: Casual Income: $25,000 Environment: any

Market Research

Industry trends. In November of 1994, the nonrubber footwear industry continued to dominate at the retail level. This is due to an increase of casual wear at the professional level, where many firms have opted to introduce a "casual" day in the work place. The nonrubber footwear industry includes all types of footwear constructed with leather, vinyl, plastic or textile uppers for all genders and ages. Our research shows that in 1992, the total shipment of leather and leather products totaled in excess of $8.6 billion, and more then $3.9 billion were from the sale of nonrubber footwear. In 1993, production of nonrubber footwear increased from more than 164 million pairs in 1992 to more than 165 million pairs in 1993, and increase of almost 1%.

Shipments of men's dress and causal shoes, work shoes and boots increased to 43.3 million pairs in 1993 from 42.8 million pairs (1% increase) in 1992 and women's footwear increased from 56.4 million pairs to 58 million pairs (3% increase). An estimated per capita consumption of 4.43 pairs of shoes was observed in 1993, an increase of 1%. The estimated value of annual sales for men's and women's non-rubber footwear for 1994 was $3.6 billion.

The future outlook is positive for our industry because in is anticipated that consumption of casual footwear, such as the casual shoe and hiking boot, will increase as athletic footwear grows slowly. Consumer demand for these products will only be satisfied by high-quality, comfort and fit We will assume that the fashions will remain geared towards the casual and rugged style shoes and boots and meet the consumer demand with quality, fit and comfort. If we produce 1200 dozen pairs of shoes per day, five days per week, for 50 weeks, was can expect to realistically compete as 1.65% of the nonrubber footwear industry market.

Timing. We are choosing the perfect time to enter into this market of the outdoor, rugged type footwear. Not only are outdoor sports being promoted, also the hiking and camping gear are being used as fashion statements. The one particular aspect about our selling of the various workboots and hiking boots is that these products are cross-seasonal, they will be in use throughout the whole year. Since we've chosen to not limit ourselves to only one style and type of shoe, we will be able to compete aggressively through all four seasons of the year.

Competition. Because of the increased demand for nonrubber footwear, athletic shoe companies are introducing shoes that reflect the trend in outdoor style and outdoor sporting. In order for this company to compete aggressively, it needs to produce footwear of equal quality at lower prices or higher quality at equal prices. Most of the competitors of EOCENE Footwear, such as Reebok International, Nike, Inc., Brown Group and LA-Gear, Inc., realize profit potential from the employment of cheap labor overseas. Our aim is to stress the high quality of being made in the United States of America, such as Timberland and Eastland, Inc.

With our estimated wholesale prices, Eocene Footwear will be able to capture a wide market and compete aggressively with Timberland and Eastland, offering the same quality at slightly lower prices. Table 1 shows our wholesale prices as compared to an estimated wholesale price of similar shoes as well as their retail prices compared to our estimated retail price (100% markup).

Table 1. Comparison of Wholesale and Retail Prices

Company	Shoe Type	Whole Sale Price	Retail Price
Eocene Footwear	Workboot	$57.50	$115
	Hiking Boot	$40	$80
	Casual Shoe	$37.50	$75
Timberland	Workboot	$65	$130
	Hiking Boot	$44.50	$99
	Casual Shoe	$37.50	$75
Eastland	Workboot	$62.50	$125
	Hiking Boot	$37	$74
	Casual Shoe	$38	$76

Advertising

The main target for Eocene footwear will be business establishments such as J. Crew, Speigel, and other direct mail marketing companies. By targeting direct mail marketing companies, we hope to customize certain footwear products to be remarketed by those firms. Eocene footwear should also seek to manufacture shoes for other companies. Eocene footwear will eventually open outlet stores in the areas where there is a large demand for our products. While Eocence's customers will mostly be shoe retailers, the company will need to take the responsibility of advertising it's various products. The wide variety of possible advertising media has greatly increased the chance of Eocene Footwear's promotions. The various advertising media include print ads, television, radio, direct mail and advertising agencies. Below are some estimated costs associated with each type of advertising media that Eocene Footwear might be interested in it's first year of business.

1. Print Ads (magazines). Depending on the circulation of the magazine, estimated costs for a advertising space can range from $9,750 to $46,700 for a full page color ad. Figure ___ gives a cost breakdown of the pricing for popular ad sizes and magazine circulation.

Table 2. Costs For Four Color Ads in Magazines

Typical Circulation	Full Page Cost Per Customer	Half Page Cost Per Customer	Quarter Page Cost Per Customer
61,000	$5225 9¢	$3420 6¢	$2240 4¢
143,000	$9705 7¢	$6025 4¢	$4120 3¢
234,000	$16,150 7¢	$9320 4¢	$6380 3¢
1.2 million	$46,700 4¢	$28,015 2¢	$16,340 1¢

2. Television. Pricing for air time of a thirty second spot depends upon the time of day and programming in which the company wants the product advertised. An average cost for a one time spot on television during prime time (8 PM - 11 PM, EST) will run about $16,000. During non-prime time the costs will be slightly lower.

3. Radio. Pricing for air time of a thirty second promotional spot on the radio also depends upon the time of day and programming in which the company wants the product advertised. An average cost for a one time spot on the radio during prime time would be approximately $3000 and non-prime time would be approximately $1500.

4. Direct Mail. In order to have success in direct mail marketing, it is necessary to produce a high quality product brochure. For Eocene Footwear, which has ten individual products, it would be necessary to include color photos

and thorough descriptions of each boot it sells. For a simple 6"x 8" brochure to be sent to customers, the total cost of a seven page product catalog would be $1.82. For a more professional, well designed 9" x 14" full color catalog to be shipped to retailers, the cost would be $5.50. Costs for the printing of such catalogs can be recouped by charging the customer a small fee for the catalog, for example $2.00 and giving a slight discount of $2.00 off the product ordered.

5. Advertising Agencies. For the best interest of Eocene Footwear, an outside advertising bureau should be employed. The cost for utilizing such an agency will be approximately $10,000 per month plus the expenses of generating the advertising and promotions. By using the advertising bureau, Eocene Footwear will receive discounts on print ads and possible discounts on radio and television spots. Additionally, Eocene Footwear will receive the benefits of the professionalism of advertising consulting bureaus for its first year of production. Following is a listing of advertising agencies in West Virginia.

AD MARK INC
179 SUMMERS ST
CHARLESTON, WV 25301
304-343-0475

ADVANCE CONCEPTS
OLD SENECA RD
ELKINS, WV 26241
304-636-6995

AUDIA
532 PENNSYLVANIA AVE
FAIRMONT, WV 26554
304-366-4020

BLAINE TURNER ADVERTISING
1425 SARATOGA ST #-D
MORGANTOWN, WV 26505
304-599-5900

CHARLESTON GRAPHICS
1000 WASHINGTON ST E
CHARLESTON, WV 25301
304-343-3464

CORNERSTONE PROMOTIONS
PARKERSBURG, WV 26101
304-485-1345

CREATIVE RESOURCES INC
235 HIGH ST
MORGANTOWN, WV 26505
304-296-9296

CYDEN MEDIA SERVICES INC
60 OLE MAIN PLZ
SAINT ALBANS, WV 25177
304-727-0770

DEITSCH DESIGN GROUP
1100 9TH ST
VIENNA, WV 26105
304-295-0367

DESIGN ASSOCIATES
324 COBUN AVE
MORGANTOWN, WV 26505
304-291-2229

FAWCETT, JAMES T
350 W MAIN ST
CLARKSBURG, WV 26301
304-624-5525

GALVINS VIDEO SERVICES
1632 2ND AVE
CHARLESTON, WV 25312
304-744-4935

GUTMAN ADVERTISING
1201 MAIN ST
WHEELING, WV 26003
304-233-4700

HANSEN & ASSOCS ADVTSNG
160 FAYETTE ST
MORGANTOWN, WV 26505
304-291-1199

KRO PRODUCTIONS
907 HIGHLAND RD
CHARLESTON, WV 25302
304-345-5619

MANAHAN & COMPANY
950 KANAWHA BLVD E #-3
CHARLESTON, WV 25301
304-344-5993

MARKETING DESIGN GROUP
329 MAIN ST
POINT PLEASANT, WV 25550
304-675-6909

MEDIA WORKS
518 2ND AVE SW
CHARLESTON, WV 25303
304-744-2490

MOTHER WIT
6 ARLINGTON CT
CHARLESTON, WV 25301
304-342-1213

MOUNTAIN GROUP INC
49 ARLINGTON DR
WHEELING, WV 26003
304-232-2244

NEW HORIZONS UNLTD
ELM GROVE
WHEELING, WV 26003
304-242-2134

NORTHEAST ADVRTSNG INC
PROFESSIONAL #-750
WILLIAMSTOWN, WV 26187
304-375-5829

PERRY PRODUCTIONS
4706 STAUNTON AVE SE
CHARLESTON, WV 25304
304-346-4660

PRIME EXCHANGE
318 3RD AVE
LOGAN, WV 25601
304-752-9195

PROFESSIONAL ADVERTISING
2000 HAMPTON CTR #-C
MORGANTOWN, WV 26505
304-598-0880

PROGRAMS PLUS
5337 MELWOOD DR
CHARLESTON, WV 25313
304-776-1008

RIVER CITY ADVERTISING
246 KRUGER ST
WHEELING, WV 26003
304-242-6160

SIEGWARTH S ADV GRAPHICS
103 MARCUS DR
MORGANTOWN, WV 26505
304-296-3410

TWELVE POLE PRODUCTIONS
3 HERITAGE VILLAGE
HUNTINGTON, WV 25701
304-522-2302

VIDEO BILLBOARDS
200 11TH ST
HUNTINGTON, WV 25701
304-529-0226

W M O V RADIO STATION
GIBBS ST
RAVENSWOOD, WV 26164
304-273-2544

WALLS, JUDITH
MORGANTOWN, WV 26503
304-292-5939

Eocene Marketing Department

The marketing department will employ three salespersons, one marketing assistant and one marketing analyst. The job responsibilities are as follows:

1. Salespersons. To find creative methods of promoting the Eocene Footwear Company and its products. The salespersons will be required to travel and represent the Eocene company in trade shows, exhibitions and through corporate sales.

2. Marketing Assistant. The marketing assistant will aid the Marketing Analyst and Salespersons by performing duties such as typing, telemarketing, making reservations, direct mailing of brochures.

3. Marketing Analyst. The Marketing Analyst maintains statistics on market trends, maintains relationships with the advertising agencies, advises the design team on new ideas and coordinates sales team.

Budget

The Sales and Marketing budget includes allowances for the following:

Employees:	
3-Salespersons with the higher of $31,200 ($600/week) or 1 % commission	$93,600
1-Marketing Analysts	$35,000
1-Marketing Assistant	$13,258
Equipment:	
3-Laptop PC's	$6000

Travel:	
3-Traveling Expenses	$72,000
$2000/month	
Promotional:	
Consulting Firm	$120,000
Miscellaneous Expenses	$130,000
Total:	$469,858

EOCENE Footwear

The Power To Change The World

HUMAN RESOURCES

Human Resources

The essence of human resources is transforming an input, which is an employee or a group of employees, into an output, which is a job well done The transformation processes are systems for acquiring, developing, allocating, conserving, utilizing, evaluating, and rewarding workers

Labor Market Survey

To achieve profitability and stability, a company needs to have a trained and skilled workforce In this respect, West Virginia's workforce is experienced, has a positive attitude, and has a wide range of skills In addition, progressive and customized job training programs are available to train employees to match specific job requirements Financial support by the state for these programs is liberal and is provided to reduce the business costs of start ups and expansions and to provide the needed employees to meet the goals of firms that create jobs

Employee Salaries

	Quantity
1. Management Department	
a. General Manager - $50,000 annually	1
b. Secretary - $6.37/hour	2
c. Office Manager - $10.00/hour	1
2. Marketing Department	
a. Marketing Analyst - $35,000 annually	1
b. Sale/Marketing Assistant - $13,258 annually	1
c. Sales persons - $31,200 annually	3
3. Production Department	
a. Production Supervisor/QC - $38,000 annually	3
b. Production Workers - $6.00/hour	102
c. Maintenance Mechanic - $10.00/hour	3
d. Material Handler - $4.35/hour	4
4. Research and Development	
a Designer - $28,000 annually	1
5. Facilities	
a. Maintenance (Janitor) - $6.00/hour	2

Working Hours

To meet the anticipated production demand, the company must run 50 hours per week. To meet this demand, the employees will work 10 hours a day, 4 days a week, with 20% of the production workforce rotating a specified weekday off. From an employees perspective, this would result in a 4 day work week at 10 hours per day with one weekday off on a rotating basis.

One of the largest benefits in having an extra 20% in production workforce is that this provides for a work pool in which to choose from in case of employee absenteeism.

Job Descriptions

The job descriptions that follow were written after consultation with the production department and research that includes information from the Occupational Outlook handbook: 1990-91 and the Bureau of Labor Statistics, U.S. Department of Labor. March 1982.

1. Management Department

General Manager

This employee will be responsible for the entire operation of the company. The duties include planning and forecasting, organizing, selecting staffs and equipment, controlling, motivating, researching, and communicating. This person will maintain the efficiency and profitability of the organization by creating general goals and policies. This position requires a Bachelors degree in engineering with a Master's in business administration. This position requires a minimum of five years of management experience.

Secretary

This employee will be responsible for all secretarial duties that the General Manager and the Plant Engineer require. This position requires a minimum of three years of secretarial experience and an associates degree in secretarial science. Excellent communication skills, organizational skills, and word processing skills are required.

Office Manager

2. Marketing Department

Marketing Analyst

The marketing analyst is in charge of gathering all marketing information and presenting the information to interested groups. He or she will work closely with the advertising, research, product development, and the financial aspects of the company. This employee will coordinate the sales regions, supervise the day to day operations of the sales representatives, develop promotions and advertising strategies, and will serve as public relations representative. This position requires a bachelors degree in marketing or business administration, five years experience in direct sales, and a minimum of two years of supervisory experience.

Sales/Marketing Assistant

This employee will be responsible for all secretarial duties for the marketing department including sales, advertising and public relations. This position requires a minimum of two years secretarial experience, an associates degree in secretarial science is preferred. The position requires an ability to type 60 words per minute, dictation skills, word processing skills, excellent communication skills, and organization abilities.

Sales Representatives

This employee will be responsible for the sales of Eocene products to retail stores. The position will require extensive traveling. A college degree is desirable, however, a minimum of two years sales experience will be considered. These employees must be aggressive self-starters, have excellent telephone skills, and be computer literate.

3 Production Department

Production Supervisor/Quality Control

This employee will be responsible for overseeing the entire production process to ensure that it runs smoothly and efficiently. This employee should be knowledgeable in all areas of production. This position will require an Associate's degree in engineering technology.

Runners

This employee will be responsible for transporting bundled work in boxes from one operative to the next, as well as supply and restock lasts for soiling operations. This employee must know the route taken by each style of work in order to route materials to the correct operation.

Cutter

This employee will operate the Atom Hydraulic Traveling Head Cutting Press. The employee will take rolls of lining fabric and by setting metal templates to desired designs and sizes will produce the pieces of cloth necessary for each pair of boots. These pieces will be bundled and marked and matched with leather components after they have been cut.

Clicker

These seven employees will cut components (vamps, aprons, trim, etc.) from tanned hides for the uppers of the shoe or boot being produced. Since no two skins are the same shape, size and substance (thickness), and no two skins have blemishes in exactly the same place, a clicker must have good reasoning ability, to cut economically by interlocking different shapes onto each other, and to plan ahead to achieve maximum number of cut components from a skin. After making 12 cuts in a particular size and style, the components will be bundled and labeled.

Splitter

This employee will operate the Fortuna Bandknife Splitter. The components to be skived are fitted to a rubber matrix which is preshaped to conform to the desired end result. As component and matrix are passed through the machine, the machine removes substances from the reverse side of the material where the thickest parts of the matrix have applied pressure. When the process is complete the operator removes the split components and bundles in sets of twelve.

Skiver

Each of these three employees will operate a Fortuna Skiver. Each operators will receive only one component to be skived at a time since these machines may be set for only one skive at a time. The operators must at times adjust or change the foot of the machine for alternative types of skiving. Finished components will be bundled in sets of twelve.

Stamper

The operator at the Markem Foil Stamper receives only one component and sets this component into the machine so that the EOCENE (or any other) logo may be embossed into the leather. Finished components will be bundled in sets of twelve.

Stitch maker

The operators at the two Edwards Stitch making machines will receive certain upper components to be marked (notched), which will enable other operations further down the production line (primarily stitchers) to position the upper section accurately when stitching. Both makers and guides need to be changed for each style, and at certain increments in size (e.i. 7 - 9.5, 10 - 12). Finished components will be bundled in sets of twelve.

Latex Cementer

The operator at the Potdevin Latex Cementer applies cement onto components that need to be doubled up before the stitching or soling process (e.i. heel cups, toe puffs, etc.). Finished components will be bundled in sets of twelve to be given directly to the combiner.

Combiner

The operator at the Knight Combining Press works in conjunction with the Latex Cementer. The combining press with its heat and pressure ensures a strong bond between the components being combined. Components are bundled in sets of twelve.

Eyeletter

The operator of the U.S.M. Eyeletter places the component into the machine, which first punches a hole and then inserts the eyelet, clinting over the reverse side. Finished components are bundled in sets of twelve.

Lacer

The operator at the U.S.M. Ensign Lacer laces facings at a pre-determined distance apart to ensure accurate lasting. Finished components are bundled in sets of twelve.

Closer

The operators on the two Union Special Closing machines sew lockstitch seams. The lockstitch seam presents a bold decorative effect of the 'moccasin seam' which a feature on many styles of our shoes and boots. This seam can also be sewn on the bottom part of uppers, locking heel cups and toe puffs on the underside before soling. Components are bundled in sets of twelve.

Single Needle Flat Bed Fancy Lining Stitchers

These six operators will sew linings onto components as well as do trim stitching. Components will be bundled in sets of twelve.

Single Needle Post Vampers

These six operators will be responsible for fitting and stitching of vamps on partially closed uppers. Components will be bundled in sets of twelve.

Single Needle Post Vampers with Knife Attachments

These six operators will be responsible for the topstitch above eyelets and along certain vampseams, cutting off excess material. Components will be bundled in sets of twelve.

Two Needle Flat Bed Sewers

These two operators will be responsible for sewing the tongue to the vamp, and add reinforcing stitches in certain areas. Components will be bundled in sets of twelve.

Two Needle Post Sewers

These six operators will be responsible for sewing the aprons to the vamps. Components will be packaged in sets of twelves.

Zig Zag Sewers

These two operators will be responsible for sewing the lining to the upper, or be utilized infancy stitching operations. Components will be bundled in sets of twelve.

Back Seam Taper

The operator of the Prime Back Seam Taper will close the upper along the back seam using horizontal double stitches

Thermal Cementer & Folder

The operator at the Thermal Cementing and Folding Machine places the last and upper into the machine which first folds the upper under the last, and then applies cement to the lasting edge of the upper and insole before lasting

Trimmer

The operator of the Colli All Purpose Trimmer trims off express material that exists, on the folded edge of the upper Inside Tracker This operator gets upper with last from the tree and tacks insoles into the inside of the boot, as well as applying one tack in the toe area that anchors the upper and insole to the lasty

Vamp Conditioner

The operators of the two Sigma Vamp Conditioners take lasts and uppers from the holding rack and place them into the brackets inside the machine, which then blows a rapid stream of hot water vapor over the uppers

Upper Premolder

The operator of the Alpha Upper Premolder gets conditioned uppers from holding rack. In the machine the nincers grin and pull the upper. The result is that the upper is correctly drafted into position over the last.

Pull and Toe Laster

The operators of the Moling Bianchi Sincron Pull and Toe Laster stretches the upper over the toe. Following this, heated metal wiper plates move inwards in a horizontal plane under the bottom of the forepart, wiping the upper material against the insole and sticking it down. A final downwards pressure know as the "bedding pressure" ensures that the lasting allowance is personal flat to the insole.

Humidifier for Heal Seats

This operator of the Elettrotecnica Humidifier conditions the heal seats for lasting.

Thermo Seat and Side Laster

The operator of this machine takes lasts and uppers from a holding rack and sets them into the seat and side laster. While the upper is gripped by twin rollers a third roller, paralleled to the insole secures the upper to the insole waste. The machine also employs a hot melt extrusion.

Heat Setter

The operator of the Elettrotecnica Heat Setter places the upper and last into the machine to speed up the glue drying process.

Toe Grinder

The operators of Compo Toe Grinders in order to present and ideal surface for sole cementing, must sand flat and rough the bottom surface.

Bottom Cementer

The operator of the U.S.M. Bottom Cementer place boots into machine where a roller applies cement to the bottom surface.

Sole Presser

The operator at the Sigma Hydraulic Sole Press takes precemented boots from rack L and positions the boot on the press. Because sole bonding is such a critical process, frequent checks are essential to ensure that good bond are being obtained.

Flash Activator

The operator of the Elettrotecnica Flash Activator trims off any flash or extra cement that may have been pushed out during cementing or soling.

Heat Blower

The operator of the Elettrotecnica Heat Blower places boots in the machine to speed up the cement drying process. The boots are then racked to cool for roughly one hour.

Last Puller

The operator of the Schon Hydraulic Last Puller after slipping boots off the last, places lasts on a rack and finished boots onto another rack. When there are one dozen boots on the rack, a runner will bring the last back to the last rack, and the finished boots to the packing and labeling dept.

Packers and Labelers

Packers and Labelers build boxes, pack boots and label. Packers and labelers are responsible for keeping a running inventory, preparing packages for shipping, loading packages and unloading materials.

Runners

These operatives transport work and materials from one operative to the next. Since runners understand the routing of components in the sequence of production they can leap-frog and back-track materials to avoid bottlenecks or work slowdown. Also responsible for keeping a running record of work competed by individual operatives.

4. Research and Development

Designer

This employee will be responsible for preparing clear, complete, and accurate working plans and detail drawings from rough sketches This employee will be responsible for all specifications, and calculations required for producing our product This position will require an associates or higher in engineering technology Computer aided design training is preferred

5. Facilities Department

Maintenance

This employee will be responsible for cleaning all restrooms, office spaces, and production facilities This position does not require any educational experience; however the employee must be able to function successfully within the industrial environment

Union Information

The role of the union is to fulfill employees' perceived needs and answer job related concerns Unionization efforts progress from first contacts with employees to the signing of authorization cards, petition for election, hearings, determination of the appropriate bargaining unit, and the eventual representation election Within this framework numerous rules, regulations, and legal requirements govern the union certification process The duty of the union is to represent the bargaining-unit employees. If the employees do not believe that the union is representing the majority interest, a decision may be made not to have a union.

While there may be many explanations for the reasons a particular group of employees votes for or against a union. Several influences have been identified that generally affect union votes. Figure 6-1 shows the framework for the relationship that exists among the general influences on employees. The work context includes specific work-related influences such as supervisory effectiveness and style, job dissatisfaction, working conditions, pay, and benefits. Attitudes towards unions include the beliefs that employees have prior to the vote about unions as institutions and their role in society and in organizations. Economic considerations include such external factors as wage levels of other firms, level of unemployment in the industry, economic activity and forecasts, and growth rates. These influences interact with union instrumentality, which is the employees' perception of whether the union will be instrumental in attaining desired outcomes, such as higher wages, improved working conditions, job security, and protection from arbitrary treatment by management. In general if these interactions are positive, the employee will vote for a union, if not, the employee will vote against union representation.

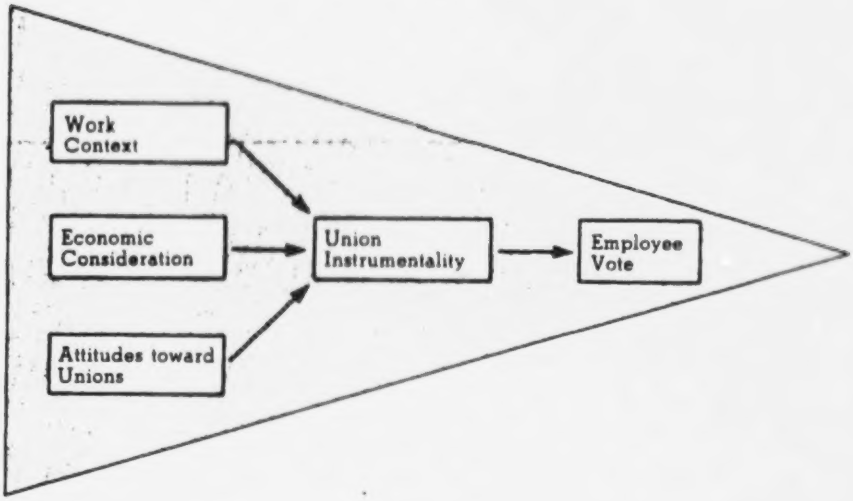


Figure 6-1: Influences on Employees on Whether to Vote For or Against Unions

An explanation of individual behavior of union voting is that an individual's decision on whether to vote for union representation depends on his or her subjective assessment of the expected benefits to be obtained as weighed against the subjected assessment of the cost. If the expected benefits of being represented by the union are higher than the cost, the employee will vote for the union. Otherwise, the vote will be against representation. If the employees have a good chance of promotion, can expect a higher wage based on their present level of effort, and are pleased with their supervisor, they probably will not vote for representation.

We believe a union may be detrimental to EOCENE and to EOers because it would reduce the operational flexibility and efficiency that will contribute greatly to EO's success and the growth goals of individual EOers. Therefore, it is vital that a large focus be given to job security, job satisfaction, and good economic benefits in order that a need for unionization is not felt by the employee. EOCENE hopes that all EOers will feel positively toward their company and, in turn, expect to continue its pledge to make company and employee goals as compatible as possible.

EOCENE will institute several personnel programs, such as Success Sharing, including a profit-sharing plan, a pension plan and an employee stock option purchase plan, that are designed to relate the employee's personal goals for financial security to EO's own goals for growth, productivity and profitability.

Benefit Information

Compensation is one important factor in employ productivity. Compensation is one method of rewarding the employee for their performance, and EOCENE understands that there is more to compensation than salary. Some employees would prefer to have their entire reward concentrated in their salaries, but for others benefits such as insurance, pension plans, vacation time, profit sharing, and general job flexibility are equal if not more important. It is the responsibility of this project to recommend the best way to compensate workers in line with both the company's and individuals' needs.

1. Retirement/Profit Share Plan

A proposal from One Valley Bank explaining a detailed 401(k)/Profit Share Plan was reviewed. The plan has an adoption fee of $500 for a standardized or $1,000 for a nonstandardized 401(k) profit share. There is a one-time charge for establishing a plan using the One Valley Bank prototype plan and preparation of required Summary Plan Description plus required IRS fillings.

The annual fee to administer the Eocene 401(k) Profit Share Plan is based on a percentage of market value of assets and the administration services listed in Figure 6-2.

$9.50 per $1,000 on the first	$100,000 assets
$7.50 per $1,000 on the next	$400,000 assets
$6.00 per $1,000 on the next	$500,000 assets
$4.50 per $1,000 on the excess over	$1,000,000 assets

(A20% discount to this schedule applies when One Valley Bank serves in all capacities - trustee, custodian and investment manager.)

Figure 6-2: Annual General Services Fee on Market Value

There is a minimum annual service fee of $400. The annual form 5500 C/R Series and Summary Annual Report will be completed at a cost of $200.

There is also a Plan Allocation Fee. Plan assets are allocated to all plan participants, generally on an annual basis. The breakdown of each participant's share is reported to them on an individual statement and a master allocation report is provided to the employer. The cost of this annual allocation is $10 for the first 100 employees each. The cost for each employee in excess of 100 is $8.

Eocene has reviewed the plan and has determined the cost of the entire plan to be approximately $1,800 annually. This figure would not include a $500 initial start-up fee.

2. Health Care Plan

A proposal from Time Insurance Company explaining a detailed health insurance plan for our business was reviewed. The plan has an average monthly cost of $290.78 per employee. With 123 employees, the cost of this plan would average $35,765.94 annually. A summary of what this plan includes will follow.

Time Insurance Company

Proposal For: EOCENE Boot Manufacturing Company

Life and AD&D

- Minimum $10,000 required of all full-time employees
- Reduced term coverage provided at age 70
- 24 hour a day coverage
- Full conversion privilege
- AD&D benefit payable if insured suffers permanent severance of both hands, feet or irrecoverable loss of sight in both eyes

Comprehensive Major Medical

(Group Classic Plan)

$2,000,000 lifetime maximum benefit per person

$500 accidental medical expense automatically included

$1000 calendar year deductible per person. Family maximum of three deductibles per calendar year. After the deductible Time pays 80% of the next $5000, then, 100% of the balance of the covered charges

In takeover situations, pre-existing conditions are covered for all persons injured by the prior group major medical plan on the date it terminated who became insured under Time's major medical plan on the effective date of the group's coverage. Benefits paid under Time's major medical plan for a pre-existing condition will be the lesser of the benefits of Time's plan or the benefits that would have been paid by the prior plan. Also, for such persons, credit will be given under Time's major medical plan for any part of a calendar year deductible satisfied under the prior plan during the same calendar year. This is subject to full medical underwriting.

Coverage is provided for medical expenses due to pregnancy the same as any other illness. Except where full takeover or full takeover ($2000) applies, the pregnancy must begin and end while an individual is insured under this plan.

To qualify for maternity coverage, this group must have two family-type coverages; furthermore, 75% of all employees who take medical coverage and have a dependent who is not covered elsewhere must take a family-type coverage. Family-type coverage = Parent-child, Employee-spouse, Family. The Federal Government mandates that employers provide maternity coverage for groups of 15 or more employees.

Family Protection Package

For all dependents covered under a family-type medical plan

Dependent Life Benefits are:

$2,500 (Spouse)

$1,000 (Dependent children 6 months old or older)

$100 (Dependent children 15 days to 6 months old)

Waiver of Premium

- Continues coverage for dependent life, major medical, dental and prescription drug option with no premium payment for one year upon the death of the insured employee

Prescription Drug

Prescription Drug Card - acute card drug (up to 21 days usage)

- $2.00 deductible for generic drugs
- $5.00 deductible for brand-name drugs

Mail Order Service - maintenance drugs (greater than 21 day usage)

- $5.00 deductible

Dental

- $1,000 calendar year maximum per person
- $75 calendar year deductible
- No deductible for preventive service

- Preventive services are paid at 100%.

- Basic services are paid at 80%.

- Major services are paid at 50%.

- Orthodontic services are covered at 50% up to a $1000 lifetime maximum per person.

Personnel Policy

Several labor laws apply to West Virginia employers and are administered by the West Virginia Division of Labor or the West Virginia Human Rights Commission. Required Workplace posters are available from these agencies. The following paragraphs are overviews of the provisions of the more frequently encountered statutes.

Workers' Compensation Insurance

All employers in West Virginia are subject to the provisions of the Workers' Compensation Act - which protects employers from the liability of work-related injuries and diseases of their employees - and are responsible for providing this insurance. The West Virginia Workers' Compensation Act is administered by the West Virginia Workers' Compensation Division.

Premium rates are determined on July 1 of each year by the commissioner of the Workers' Compensation Division and are based on the nature of the business conducted by each group of employees and the hazards incidental to their employment. The amount of yearly deposit for Workers' Compensation required for Eocene may be computed using the formula listed

$$\frac{\text{Gross Wage (3 months) X Current Rate (2.27\%)}}{100} = \text{Amount of Deposit}$$

Employee Safety and Health Regulations

The Division of Labor is responsible for all state employee safety and health regulations. The Division of Labor has the power to investigate and prescribe that reasonable safety devices and safeguards be adopted for the prevention of accidents in every occupation and place of employment. Specific requirements include the reporting of industrial accidents and the posting of disclosure notices in the workplace where hazardous chemicals or materials are used.

West Virginia businesses must also comply with regulations of the federal Occupational Safety and Health Administration (OSHA).

Minimum Wage Requirements

West Virginia's Minimum Wage and Maximum Hour law requires that we pay all of our covered employees at least $4.25 per hour.

Overtime Payment

This law mandates that employees working in excess of 40 hours in a given week be paid time and a half their regular rate of pay for the extra hours.

Exemptions to this law exist for individuals employed in a professional or executive capacity, students, and trainees. A professional or executive exemption would apply to an employee whose work is predominantly intellectual and varied in character or who works in a managerial capacity. Students are those in either high school or college who work no more than 24 hours per week during the school year. Trainees are employees involved in on-the-job-training in a recognized, registered, and approved training program.

Equal Pay Law

The Equal Pay Law of the Human Rights Act imposes for equal work the requirement of paying the same compensation without regard to sex, race, religion, age, color, ancestry, or national origin for given occupational job qualifications.

Wage Payment and Collection

At the time they are hired, employees must be notified in writing of the rate of pay and of the schedule on which they will be paid. The employees must be paid at least every two weeks unless a special agreement has been made. An itemized statement of deductions made from the wage of each pay period must be provided.

Because we are involved in production we must demonstrate the ability to pay all wages and benefits to employees or we are required to post a bond securing the payment.

Child Labor Laws

Strict regulations apply to the employment of minors in regard to hours and time periods worked and the type of employment. Students are categorized in two groups: those 14-15 years old and those 16-17 years old.

A student 14 or 15 years old is required to have a work permit and may not be employed during school hours on those days when school is in session. Otherwise, he or she may be employed between the hours of 5 A.M. and 8 P.M., not to exceed 8 hours on a nonstop day or 40 hours in a nonstop week. Under special circumstances, supervision permits may be obtained from the West Virginia Department of Labor to allow work hours to extend until 11 P.M. In all cases, a 30-minute meal break must be provided after 5 hours of continuous work. Minors who are 14 and 15 years old are prohibited from many occupations, including manufacturing, construction, and equipment operation.

The labor laws that apply to minors 16 and 17 years old specifically exclude them from hazardous occupations, such as mining, logging, or power machinery operation, as determined by the commissioner of labor. There are no restrictions upon hours or time of employment.

Employment Eligibility Laws

The US Immigration Reform and Control Act of 1986 prohibits aliens from obtaining jobs in West Virginia illegally. There are penalties of fines and jail terms for employers who hire them. Although there is no statutory requirement to do so, the West Virginia Bureau of Employment Programs can certify the employment eligibility of workers for employers through its Job Service Office.

EOCENE Footwear

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MANAGEMENT

Management and Organization

Overview

Managers engage in a wide variety of activities such as leading, teaching, organizing, planning, and controlling. Emphasis is usually placed on planning and control activities such as strategic planning, management control activities involving implementation of these activities, and task control, meaning control over daily operations. At Eocene, management also carries the responsibility for ancillary services such as vending, purchasing, communications, and directly coordinates with accounting and legal services in their hire.

Eocene Legal Structure

Criteria for the selection of a legal structure centered on wishes of the five owners to assume active roles within the organization as members of the Board of Directors and ease of attainment of capital from lending institutions. Mild tax advantages from use of a fiscal year and forfeit of payment of federal and state unemployment taxes were achieved in the partnership. These advantages were somewhat offset by the disadvantages of unlimited liability, tenuous existence or dissolution of the partnership upon death of a partner without previous agreement, potential for disharmony, and share-liquidation difficulties if disposal to outsiders becomes necessary. The agreement was composed by an attorney and specified powers, authorities, and liabilities of each owner as recommended. (Small Business

Center Center, date unknown) Each partner now shares both the profits and losses of the business.

Management and Organizational Plan

The management plan encompasses 1) the management team and 2) the structure and style of management itself. Together, they are considered to be the core of management. A certain personality is assumed by management which affects employee attitudes. If there is open dialog and a sense of fairness conveyed by management, the organization moves ahead. That is the purpose of the plan.

The management team is charged with the responsibility for planning the future of the organization and making final decisions on matters which affect organizational goals. The Eocene management team includes: 1) the Board of Directors or the investors whose purpose is to protect their money and to keep the plant manager on target in achieving their desired goals, 2) the plant manager who is involved with daily administration and financial aspects of the business, and lastly 3) consultants who are hired for their specific expertise to help fill gaps in the management team along with key personnel to be added at a later date.

The management structure and style addresses how the organization will be run, i.e., structure of the organization, lines of authority, and voice of the employees in response to policy making and decisions. It is recommended that Eocene's management team decide the formal lines of authority consistent with today's trend toward decentralization in decision making or participative management allowing employees to become more innovative and personally involved in the ownership of the business. Like IBM and other large organizations who have restructured and decentralized, we recommend decision-making power be entrusted to product groups.

Organizational Chart

The clearest way to show the management structure of Eocene is through an organizational chart along with description of areas of relationship. (See Exhibit 1, page 4.)

Description of Organizational Structure

Our recommendation is to move people from ideas to production with a minimum of supervision. We took pains to design structures and policies consistent with the company's stated short-term strategies. This resulted in an organization of minimal hierarchy, provision for cross-utilization, work teams, self-management, participation, and selective hiring practices. Our initial organizational structure for startup consists of only three formal levels of authority. At the top of the organization is the Board of Directors who pass approval on strategic decisions in conjunction with the plant manager. Reporting to and working closely with the plant manager are project teams headed by a production supervisor, a marketing analyst, maintenance supervisor, and office manager heading the administrative section. Eocene's working managers are trained to work hard at exemplifying the company's philosophy. They work in teams, rotate out of their specialties to take on line work, and fill in with administrative work or sales. They share offices and phones. The plant manager's office is used as the meeting room; if others are using it, he borrows another office.

There are no executive assistants, secretaries, or support staff outside of administrative services who are involved in maintaining collections for off-site accounting personnel and aiding in the human relations function. Individuals, teams, and committees do their own typing on PC's, which keeps written communication to a minimum. Everyone answers his/her own phone. (Both practices are viewed as promoting direct communication as well as saving money.)

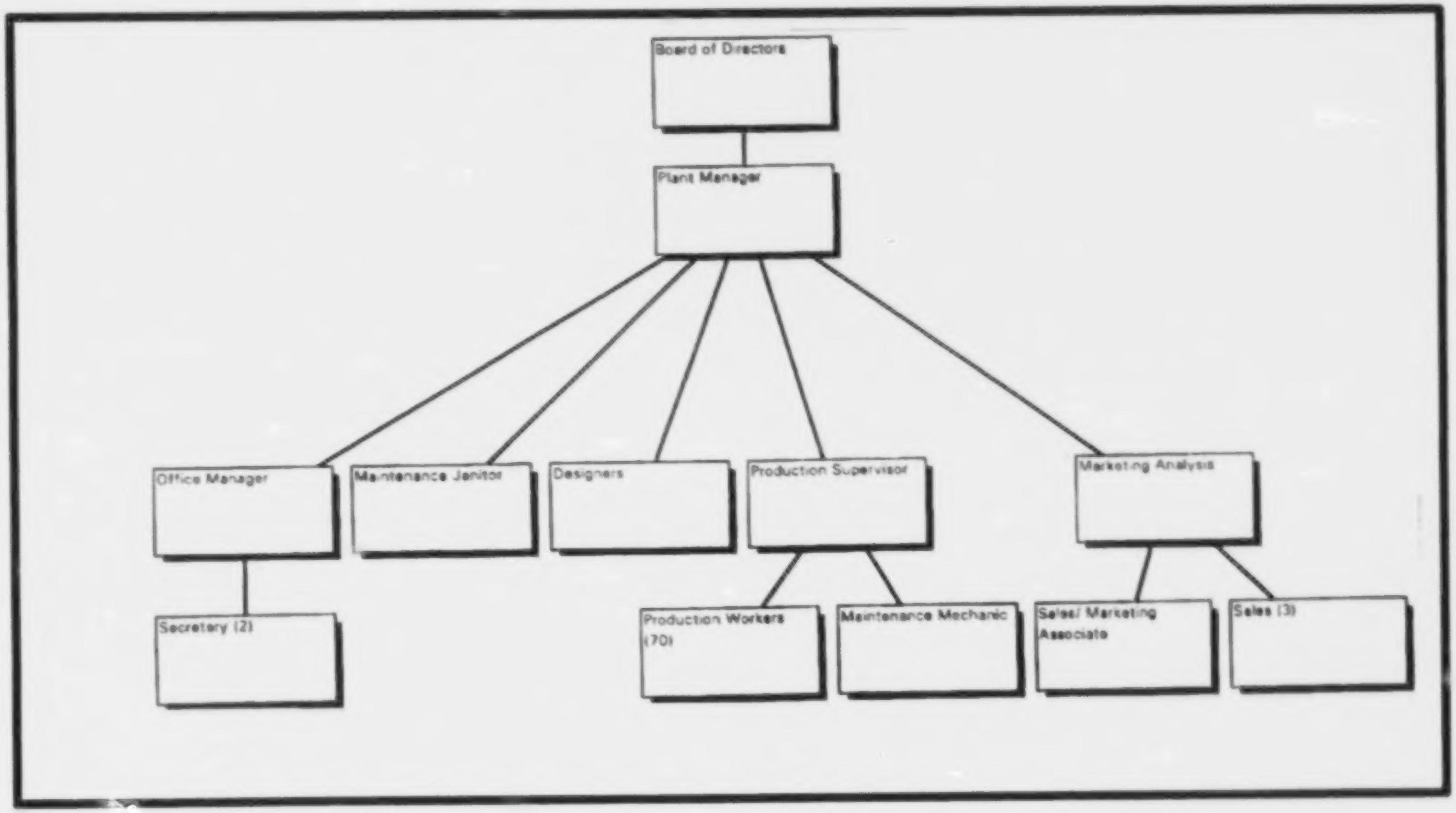
Beyond the officers described, all remaining full-time employees are maintenance managers or work with marketing or administration, or perform design work. These titles indicate distinctions in qualifications and functional emphasis rather than organizational authority. In addition to monitoring and assuring the quality of the contracted work, maintenance managers and others at that level are utilized to perform various staff jobs.

By and large, what few authority distinctions do exist are obscure and informal. Managing officers, plant manager, and others with over one year seniority have more responsibility for giving direction, motivating, teaching, and perhaps coordinating, but do not supervise or manage in the traditional sense.

Training

Training occurs as a result of cross-utilization and rotation, unless it is for special needs. No one, regardless of work history, qualifications, or responsibility is assigned to do the same job all the time. Everyone, including managing officers, is expected to be cross-utilized as needed and to rotate monthly between line and staff functions. (The terms "line" and "staff" at Eocene differentiate tasks which are directly production related rather than those related to the business of operating the company.

While cross-utilization and rotation are complicated, they are justified in several ways. They are conceived primarily as methods of continuing education aimed at keeping everyone interested, challenged, and growing. The Board appreciates the flexible staff utilization capability which will eventually result from everyone having broad exposure to the company's functions.


Board of Directors
Plant Manager
Office Manager
Maintenance Janitor
Designers
Production Supervisor
Marketing Analysis
Secretary (2)
Production Workers (70)
Maintenance Mechanic
Sales/ Marketing Associate
Sales (3)

Initial Training and Team Building

The initial orientation training period at Eocene lasts for five weeks At the end, candidates must exhibit competency in sales along with other aspects of the business This is to enable employees to perform multiple tasks Three full days are devoted to team building, building self-awareness, communication skills, and sense of community They are taught to respect differences and to work effectively with others On the last team building day, everybody chooses two or three others to start work with These groups become work teams, the basic work units

Labor Relations

Labor relations are relationships between labor and management in a traditional work environment The nature of the above training precludes major conflicts that are normally found in industry It is not uncommon for higher level managers to work alongside laborers when the need arises Similarly, the laborers are trained in maintenance and other various work

It is foolish to believe that conflict will cease to exist When it occurs, the recommended method of solving disputes is with peer group review Management level and laborers alike are asked to serve in this function Facing the opponent head on promotes more honesty Many choose to avoid open conflict when they know their situation will be shared with peers Top management must support the peer group decision and discontinue the gracious privilege of open door policy when employees attempt to exert their clout by persuading the boss to take sides.

Strategic Planning or Long-Term Development

Fundamental to Eocene's initial strategy is its view that shoes as a product command little brand loyalty. Consumers must feel the need for this footwear based on Eocene's version of how the product is more quality for less money, and better yet, are made by West Virginians noted for strength and durability themselves--rugged so to speak. Building volume sales at reasonable prices on shoes/boots previously overpriced in under served areas of the country where boots are a necessity. (Moore, 1993)

Regionwide Identity

Eocene sets out to build a formidable image the first year as a major bootmaker. Over the next three years, the goal is to absorb a market share at least double the initial. After that the plan is to have a presence and connection beyond our borders northward. To accomplish this, branch factories in metropolitan Canadian areas must be opened. Diversification into the leather processing industry is a viable option. The company will use the income generated from sales to finance acquisitions.

Franchising

Eocene lends itself well to franchising which gives the company enhanced market clout. In addition, the company receives additional revenues in terms of franchise fees and from purchase of materials.

Conversion to Corporate Structure

With huge potential gains, Eocene investors may choose to liquidate their holdings and convert their holdings to stock, especially in the franchise operations.

Competition Based Expansion Risks

The biggest risk facing Eocene's expansion are existing shoe/boot manufacturing firms such as Bender and Hanover Shoes, not too distantly removed from our immediate manufacturing area in Morgantown, WV. These firms already market themselves throughout the country, but may enter our newly planned Canadian area. To prepare for this, company management is closely following developments and is prepared to enter into agreements with them. These agreements include the possibility of merger, acquisition, or the manufacture of footwear under the name of the larger company.

While it is important to take the competition seriously, it is best to avoid the competition wherever and whenever possible. Remember the great Sun Tzu who observed 500 years before Christ, the smartest strategy in war is the one that allows you to achieve your objectives without having to fight. (Ohmae, 1988)

Environmental Assessment/Impact

Environmental assessment may be accomplished without quantitative measurements by several means, if not complex. One such method is by direct sensing (Golden, 1979) If an assessment indicates no significant effects from the proposed action, then an environmental impact statement is not required. This assessment is based on 1) only on a very brief site visit to Bender Shoe, Sommerset, Pa., along with information the Plant Manager provided in response to questions concerning potential environmental pollutants potential at the plant and 2) Review of literature on health hazards of the boot and shoe industry. The method of inquiry for this brief assessment is as follows:

Site Visit

The Plant Manager stated that the external environment was not affected due to paper, the only by-product or waste being recycled. In response to questions concerning potential for interior pollution, he stated that a new air cleaning system (electrostatic precipitator) had recently been installed. He also stated that the indoor pollutant concerned with adhesives was urethane. During the site visit, several people close to noisy machinery were observed wearing hearing protection. Also noted were many employees working closely together with materials movement on occasion. Review of the situation shows urethane foams contain toluene diisocyanate (TDI), a volatile compound with potential adverse respiratory tract effects due to short or long term exposures. Five to ten percent of the shoe manufacturing population are affected by hypersensitivity reactions such as occupational asthma and hypersensitivity pneumonitis. (Banks, 1992) OSHA's permissible exposure limit in air is from zero to .13 micrograms per cubic meter. It enters the body through the lungs, GI tract, skin, and eyes. (Patty's Toxicology) The boot and shoe industry is listed as using industrial processes associated with human cancer, notably leukemia, nasal sinus, bladder, and digestive tract, usually from benzene exposure, man-made mineral fibers, and leather dust. (Raffle, 1994)

Some employees were hearing protection indicating that a hearing protection program may be in place. This is required by OSHA when the exposure limit is exceeded.

Recommendations

Criteria for formal environmental analysis may have been met. The investors are advised to pursue environmental monitoring and an environmental impact statement if this is so. Compliance with both OSHA and EPA is required.

Ancillary Services of Management

Vending. A cafeteria food service was considered for one hundred people and found to be too expensive to be feasible. A vending bid was obtained from Mr. Michael Shaffer at American vending Corporation, Clarksburg, WV. 26301 for vending and food service. This corporation will provide the service by contract. There is no charge for the service, but American will pay Eocene commission on gross annual sales. Most vending services receive at least 30,000 worth of sales each year which translates to approximately $1,500.00 in revenue annually. Past experience with this firm has personally be a positive one. The company is reliable and honest. Machines were filled as promised and kept clean and in good working order.

Purchasing Function. Administration will purchase materials, equipment, and supplies for the facility for one year. Initial purchase of all equipment will be the responsibility of this section. Two major suppliers were chosen to supply information for bids. They are MacWarehouse, P.O. Box 3013, 1720 Oak Street, Lakewood, NJ 08701-3013. They will supply computer software/ hardware for the facility. Viking Office Products, 4782 Mulhauser Road, P.O. Box 455644, Cincinnati, OH 45246-5644. Budget projections are based on prices shown for items requested by various Eocene departments. (See Exhibit 2.)

Communications Function. Management is responsible for the telephone, fax, and computer systems. The telephone business system will be Bell Atlantic's CustoPAK system. Rates for service are as follows:

Centrex business telephone system with connects	$3,032/Yr.
Toll free service based on 1200 pairs shoes/Day	$ 400/Yr.
Estimated long distance carrier	$1,000/Yr.
Bell Atlantic Maintenance estimate (includes 7 lines)	$500/Yr.
Total Estimate	$4,932/Yr

Answer call and voice mail may be obtained at $13.00/Month Other services are included with system.

The currently adequate computer network will be a link between ten Apple Performa computers, Model #6115CD. Initial purchase price will be $23,990.00 plus Novell link software at $119.00. The total purchase price is $24,109.00 The computers have all necessary software installed as purchased.

One Brother Plain Paper Fax with dedicated line will be available. Cost is $798.74

Clerical Services. Two secretaries and one office manager will be available to process applicants, and other functions as assigned. Typing will generally be done by personal computer by the employees themselves. One function of this group will be to compile records, bills, and other information to be taken to the accounting firm who will perform the accounting function for the facility. The secretaries will not have traditional secretarial functions, but will be processors of data generated by the facility.

Legal Services. Mr. Thomas C. Stewart, Attorney at Law will be retained. His address is 2917 University Avenue, Morgantown, WV 26505.
His fee for the legal document for the partnership is $250.00. A recording fee of $10.00 accompanies this. For normal consultations, he prefers a flat fee based on his estimate of the complexity of the situation.

Accounting Services. Full accounting services, including accounts payable, accounts receivable, payroll, etc. will be supplied by Pride & Winter, Certified Public Accountants 1010 Morgantown Avenue, Fairmont, WV 26554. The fee for annual service is $5,400.00

Management Capital Budget

FY 1996

Item	Description	#	Unit Cost	Total Cost
Computer (PC)	Apple Performa 6115CD	10	$ 2,300.00	$ 23,990.00
Computer (Laptop)	Apple Power Book 540C	3	3,699.00	11,097.00
Drafting Software	CAD	1	599.00	599.00
Netware Kit	Novell Personal Netware	1	119.00	119.00
Printers	Apple Color Style Writer	10	599	5,990.00
Office Furniture	Executive Wood Group desks and cabinets	1	1,349	1,349.00
Desk	Secretarial, Wood	2	279.92	559.84
Desk	Classic, Wood	7	279.94	1,959.58
Drawing Table	Table w/stool	1	600.00	600.00
Chair	Executive	1	249.00	249.00
Chair	Posture	9	176.89	1,592.00
Bookcase	Oak Veneer 60"	9	218.94	1,970.46
Tops for above	Tops, woodgrain	9	59.94	539.46
Typewriter	Smith Corona Electronic	2	159.97	319.54
FAX	Brother Plain Paper Fax	1	798.74	758.74
FAX Cabinet	Oak Finish FAX Cart	1	73.46	73.46
Tables	Folding 72" x 30"	5	109.97	549.85
Chairs	Metal folding	24	16.36	392.64
Miscellaneous			6,000.00	6,000.00
			TOTAL $	65,421.72

FY 1996

Management Salaries:	Hourly Rate	Monthly Cost Annual Cost	
Plant Manager		$ 4,166.66	$ 50,000.00
Office Manager	$ 10.00/hr.	1,760.00	21,120.00
Attorney (Estimated)	83.33	1,000.00	
Hourly Salaries:			
Secretary	6.00/hr	1,056.00	12,672.00
Secretary	6.00/hr	1,056.00	12,672.00

Services:

Accounting Services	450.00	5,400.00
Photocopying	83.33	1,000.00
Centrex Business Telephone System	252.66	3.032.00
Toll-Free Service	33.33	400.00
Estimated Long Distance Service	83.00	1,000.00
Maintenance, phone system--Bell Atlantic	41.66	500.00
		TOTAL $ 108,796.00

EOCENE Footwear

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FINANCIAL SUMMARY

Financial Summary

Projected Startup Cost

The total cost required to begin Eocene's operation is $2,586,026. This figure represents the total estimated cost for production setup and equipment; building preparation and insurance; office equipment and supplies; and two months operating expenses. The total cost related to equipment purchases is $478,750. Included in this figure are the equipment manufacturer's training cost, maintenance shop supplies, and miscellaneous expenses.

An up front marketing fee of $100,000 has also been included in the total startup cost. This represents the account fee required by the marketing consultant group. Monthly ongoing marketing fees of $20,000 are also included in the operating expenses for startup costs. This is done in expectation that needed revenues may be stagnate during this period.

The startup costs for the facilities have been estimated to be $18,508. This represents the cost of one year's rent, and contents insurance related to equipment asset protection. Given the nature of the site and its past history no significant site preparation cost is expected.

Management setup costs have been estimated to be $65,452. This figure represents the total expected expenses for office equipment, furniture, supplies, and business related licensing fees. Given the size, nature and expected demand of

Eocene's management staff it is anticipated that these purchases will serve management needs for several years.

Initial purchases of material inventory have been estimated to be $283,272. This represents two weeks worth of production material. It is anticipated that one week of material inventory will be placed in rotating reserve. This is required as a buffer against unexpected shortfalls of material during production runs.

Two months of operating expenses have been included in the financing requirements for startup operations. This has been done in anticipation of stagnate revenues and revenue receipt delays. Given that Eocene is a new company it should be expected that a lag between production and sales revenue will exist. However, once marketing efforts have been firmly established it is expected that production levels will reflect product demand.

The total estimated financing required to begin operations is $2,586,026. This amount less the investors' $500,000 is $2,086,026. It is anticipated that a commercial loan can be secured for this amount. The loan will be extended as a result of the assumption of risk by the investors. Given the personal worth and income of the investors securing a commercial loan should pose little difficulty. The commercial loan rate of 11.5% has been assumed. This assumption is based upon an average rate of 2% above the current prime interest rate of 9.5%, quoted by Huntington Bank of West Virginia. The commercial loan assumed by the investors on behalf of Eocene would have the term of 36 months. This would require a monthly repayment of $83,021 over three years.

Eocene Projected Startup Cost & Financing

Production Setup Cost

Startup Operations Equipment Costs

Department	
Cutting	$110,450
Stitching & Fitting	$72,175
Lasting	$262,700
Packing	$8,425
Total Equipment Cost	**$453,750**
Equipment Training and Setup	$10,000
Maintenance Related Setup	$10,000
Miscellaneous	$5,000
TOTAL PLANT EQUIPMENT STARTUP COST	$478,750

Marketing Setup Cost

Market Consultant Group Fee	$ 100,000.00

Facilities Setup Cost

Building & Land Rent	$ 14,000.00
Contents Insurance	
Equipment ($463,750)	$ 4,142.74
Office Equipment ($40,000)	$ 365.20
Total Contents @ .913	$ 4,507.94
Total Facilities Startup Cost	$ 18,507.94

Management Setup Cost

Office Equipment	$ 45,549.28
Office Supplies	$ 13,872.44
Office Furniture	$ 6,000.00
Licensing Fees	$ 30.00
Total Startup Cost	$ 65,451.72

Eocene Projected Startup Cost & Financing

Startup Capital Cost	
Production	$478,750.00
Marketing	$100,000.00
Facilities	$18,507.94
Management	$ 65,451.72
Initial Inventory	$ 283,272.40
Total Startup Cost for Capital	$945,982

Financing Requirements	
Startup Capital Cost	$945,982.06
Month 1 Operating Expenses	$ 829,961.09
Month 2 Operating Expenses	$ 810,083.65
Total Required Funds	**$2,586,026.79**
Less Investors Capital	($500,000.00)
Total Loan Required	**$2,086,026.79**

Commercial Loan Requirements	
Loan Rate	11.50%
Loan Repayment Period (Months)	36
Monthly Installment Required	$80,323.38

Operating and Capital Expenses

The total estimated operating costs for the first three years of operation are $10,743,175, $11,747,885, and $12,350,694 respectively. The total operating costs reflect a cash basis of accounting. These costs represent the sum of Eocene's projected cash outlays for years 1 through 3. Included in the estimated operating costs are the following categories; production, marketing, facilities, management, loan repayment, and tax related items.

Production costs represent the primary component of Eocene's operating cost. Included among these costs are production related labor, production materials, packaging, operations and product insurance, maintenance, and equipment depreciation expense. A large portion of the production related costs are variable and pose little financial risk. Fixed expenses in this category are limited to depreciation and insurance. Depreciation for equipment is based upon the Accelerated Cost Recovery System over three years. The ACRS assumes the rates of 25%, 37% and 38% in years 1, 2, and 3 respectively. This system was chosen as a means of reducing Eocene's tax exposure in its beginning years. Most significantly the variable cost of labor and materials (included is packaging at $1 a pair) related to production will comprise over 90% of the total expenses faced by Eocene. While, advantageous in the respect that these costs are directly related to demand, any significant increase in material or labor cost can pose a great threat to Eocene's profitability.

Marketing costs reflect sales staff related wages and benefits, and a marketing consultant group fee. While, a growth in cost due to expanded marketing efforts may be anticipated for the long term, the only significant variable cost is related to salespersons 1% commission. The 1% commission is based upon the estimated gross sales generated by each of the three salespersons.

Facilities related cost include rent, utilities, insurance and landscaping. The proposed site for Eocene's operations requires a $14,000 annual rent. This rent is payable one year in advance and is due the first month of that year. An option to buy the site and land will not be presented for 9 years, at which time a purchase price of $160,000 may be incurred. Estimated utilities have been based upon expected use. An equivalent operation served as a basis for the utilities estimates. Property insurance is based upon a direct quote by Time Insurance Company. Landscaping cost reflect the estimated expense of an outside contract for maintaining the grounds surrounding the site's building. The total facilities cost is minimal relative to expected revenues, and represents a significant financial edge for Eocene.

Management related expenses encompass office staff wages and benefits, legal fees, accounting and payroll fees, and office supplies. Eocene's cost related to management structure is minimal. This is in large part due to Eocene's reliance upon outside firms for the management of financial and legal affairs. The cost of these outside contracts is based upon bids solicited on behalf of Eocene by project members.

The commercial loan expense represents the cost of monthly installments for Eocene's initial debt. These payment levels should retire all of Eocene's outstanding debt within a period of 3 years. In closing out the debt as quickly as possible Eocene can position itself to expand its operations based solely upon generated revenues. The liquidity of this financing method should be considered highly desirable given the risk exposure of the individual investors. In addition, in being highly liquid Eocene affords its investors with the greater personal financial flexibility often required in partnership arrangements.

Tax expenses for Eocene's operations include, commercial property city and county, inventory city and county, and equipment city and county. These represent standing taxes for Eocene's operations. These taxes are levied against the existing assets of the operation and do not change relative to the revenue generated. State and federal income taxes that are to be incurred are not reflected in this category.

The operating and capital expenses have been projected in detail over three years and estimated in an income statement for a fourth year. Significant changes occur in several categories over this period. Among the changes are the retirement of the short term commercial loan, depletion of the equipment related depreciation expense, and a growth in labor and material cost based upon estimated expansion of production. The following assumptions were used to derive the estimated production cost figures for years 2 through 4. A 10% growth in total production units was assumed for year 2. This assumption includes a corresponding increase in materials needed for a 10% growth in units of production, a 10% growth in utilities cost, and a 10% increase in labor units. A 5% growth in production units is assumed for year 3, with a corresponding 5% growth in labor units, materials, and utilities. Year 4 reflects a 2% growth in production with a corresponding 2% growth in labor units, materials, and utilities.

Eocene Year 1 Estimated Operating & Capital Expenses

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Production						
Maintenance	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00
Wages & Benefits	$ 183,795.06	$ 183,795.06	$ 183,795.06	$ 183,795.06	$ 183,795.06	$ 183,795.06
Materials & Packaging	$ 590,544.80	$ 590,544.80	$ 590,544.80	$ 590,544.80	$ 590,544.80	$ 590,544.80
Premises Operations & Product Insurance	$ 2,454.58	$ 2,454.58	$ 2,454.58	$ 2,454.58	$ 2,454.58	$ 2,454.58
Depreciation Expense	$ 9,973.96	$ 9,973.96	$ 9,973.96	$ 9,973.96	$ 9,973.96	$ 9,973.96
Marketing						
Consultant Group Fee	$ 10,000.00	$ 10,000.00	$ 10,000.00	$ 10,000.00	$ 10,000.00	$ 10,000.00
Wages & Benefits	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70
Facilities						
Rent	$ 14,000.00	n/a	n/a	n/a	n/a	n/a
Utilities	$ 4,500.00	$ 4,500.00	$ 4,500.00	$ 4,500.00	$ 4,500.00	$ 4,500.00
Insurance	$ 5,877.44	n/a	n/a	n/a	n/a	n/a
Landscaping	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00
Management						
Wages, Salaries & Benefits	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74
Legal Fees	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33
Accounting/Payroll Fees	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00
Office Supplies	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50
Commercial Loan	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38
Taxes						
Commercial Property City @ .14%	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23
Commercial Property County @ $1.17/$100	$ 420.58	$ 420.58	$ 420.58	$ 420.58	$ 420.58	$ 420.58
Inventory Local @ $2.84/$100	$ 311.60	$ 311.60	$ 311.60	$ 311.60	$ 311.60	$ 311.60
Inventory County @ $1.95/$100	$ 230.18	$ 230.18	$ 230.18	$ 230.18	$ 230.18	$ 230.18
Machinery Equipment City @ $2.84/$100	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 998.25
Machinery Eqpt. County @ 1.95/$100	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34

Eocene Year 1 Estimated Operating & Capital Expenses

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1 Total
Production							
Maintenance	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 24,000.00
Wages & Benefits	$ 163,795.06	$ 163,795.06	$ 163,795.06	$ 163,795.06	$ 163,795.06	$ 163,795.06	$ 1,965,540.66
Materials & Packaging	$ 590,544.80	$ 590,544.80	$ 590,544.80	$ 590,544.80	$ 590,544.80	$ 590,544.80	$ 7,086,537.60
Premises Operations & Product Insurance	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 29,454.75
Depreciation Expense	$ 9,973.96	$ 9,973.96	$ 9,973.96	$ 9,973.96	$ 9,973.96	$ 9,973.96	$ 119,687.50
Marketing							
Consultant Group Fee	$ 10,000.00	$ 10,000.00	$ 10,000.00	$ 10,000.00	$ 10,000.00	$ 10,000.00	$ 120,000.00
Wages & Benefits	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 188,588.44
Facilities							
Rent	n/a	n/a	n/a	n/a	n/a	n/a	$ 14,000.00
Utilities	$ 4,500.00	$ 4,500.00	$ 4,500.00	$ 4,500.00	$ 4,500.00	$ 4,500.00	$ 54,000.00
Insurance	n/a	n/a	n/a	n/a	n/a	n/a	$ 5,877.44
Landscaping	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 1,200.00
Management							
Wages, Salaries & Benefits	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 122,084.89
Legal Fees	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 999.96
Accounting/Payroll Fees	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 5,400.00
Office Supplies	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 3,510.00
Commercial Loan	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 963,880.58
Taxes							
Commercial Property City @ .14%	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 6,038.76
Commercial Property County @ $1.17/$100	$ 420.56	$ 420.56	$ 420.56	$ 420.56	$ 420.56	$ 420.56	$ 5,046.68
Inventory Local @ $2.64/$100	$ 311.60	$ 311.60	$ 311.60	$ 311.60	$ 311.60	$ 311.60	$ 3,739.20
Inventory County @ $1.95/$100	$ 230.16	$ 230.16	$ 230.16	$ 230.16	$ 230.16	$ 230.16	$ 2,761.91
Machinery Equipment City @ $2.64/$100	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 11,979.00
Machinery Eqpt. County @ 1.95/$100	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 8,848.13
Total On Going Expenses							**$ 10,743,175.48**

Eocene Year 2 Estimated Operating & Capital Expenses

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Production						
Maintenance	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00
Wages & Benefits	$ 180,174.56	$ 180,174.56	$ 180,174.56	$ 180,174.56	$ 180,174.56	$ 180,174.56
Materials & Packaging	$ 649,599.28	$ 649,599.28	$ 649,599.28	$ 649,599.28	$ 649,599.28	$ 649,599.28
Premises Operations & Product Insurance	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56
Depreciation Expense	$ 9,973.96	$ 9,973.96	$ 9,973.96	$ 9,973.96	$ 9,973.96	$ 9,973.96
Marketing						
Consultant Group Fee	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33
Wages & Benefits	$ 12,576.80	$ 12,576.80	$ 12,576.80	$ 12,576.80	$ 12,576.80	$ 12,576.80
Facilities						
Rent	$ 14,000.00	n/a	n/a	n/a	n/a	n/a
Utilities	$ 4,950.00	$ 4,950.00	$ 4,950.00	$ 4,950.00	$ 4,950.00	$ 4,950.00
Insurance	$ 5,877.44	n/a	n/a	n/a	n/a	n/a
Landscaping	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00
Management						
Wages, Salaries & Benefits	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74
Legal Fees	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33
Accounting/Payroll Fees	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00
Office Supplies	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50
Commercial Loan	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38
Taxes						
Commercial Property City @ .14%	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23
Commercial Property County @ $1.17/$100	$ 420.56	$ 420.56	$ 420.56	$ 420.56	$ 420.56	$ 420.56
Inventory Local @ $2.64/$100	$ 342.76	$ 342.76	$ 342.76	$ 342.76	$ 342.76	$ 342.76
Inventory County @ $1.95/$100	$ 253.17	$ 253.17	$ 253.17	$ 253.17	$ 253.17	$ 253.17
Machinery Equipment City @ $2.64/$100	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 998.25
Machinery Eqpt. County @ 1.95/$100	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34

Eocene Year 2 Estimated Operating & Capital Expenses

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 2 Total
Production	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 24,000.00
Maintenance	$ 180,174.56	$ 180,174.56	$ 180,174.56	$ 180,174.56	$ 180,174.56	$ 180,174.56	$ 2,162,094.73
Wages & Benefits	$ 649,599.28	$ 649,599.28	$ 649,599.28	$ 649,599.28	$ 649,599.28	$ 649,599.28	$ 7,795,191.36
Materials & Packaging	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 29,454.75
Premises Operations & Product Insurance	$ 15,160.42	$ 15,160.42	$ 15,160.42	$ 15,160.42	$ 15,160.42	$ 15,160.42	$ 150,806.25
Depreciation Expense							
Marketing	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 220,000.00
Consultant Group Fee	$ 12,576.80	$ 12,576.80	$ 12,576.80	$ 12,576.80	$ 12,576.80	$ 12,576.80	$ 150,921.54
Wages & Benefits							
Facilities	n/a	n/a	n/a	n/a	n/a	n/a	$ 14,000.00
Rent	$ 4,950.00	$ 4,950.00	$ 4,950.00	$ 4,950.00	$ 4,950.00	$ 4,950.00	$ 59,400.00
Utilities	n/a	n/a	n/a	n/a	n/a	n/a	$ 5,877.44
Insurance	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 1,200.00
Landscaping							
Management	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 122,084.89
Wages, Salaries & Benefits	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 999.96
Legal Fees	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 5,400.00
Accounting/Payroll Fees	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 3,510.00
Office Supplies							
Commercial Loan	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 963,880.58
Taxes	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 6,038.76
Commercial Property City @ .14%	$ 420.56	$ 420.56	$ 420.56	$ 420.56	$ 420.56	$ 420.56	$ 5,046.68
Commercial Property County @ $1.17/$100	$ 342.76	$ 342.76	$ 342.76	$ 342.76	$ 342.76	$ 342.76	$ 4,113.12
Inventory Local @ $2.84/$100	$ 253.17	$ 253.17	$ 253.17	$ 253.17	$ 253.17	$ 253.17	$ 3,038.10
Inventory County @ $1.95/$100	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 11,979.00
Machinery Equipment City @ $2.84/$100	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 8,848.13
Machinery Eqpt. County @ 1.95/$100							
Total On Going Expenses							**$ 11,747,885.27**

Eocene Year 3 Estimated Operating & Capital Expenses

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Production						
Maintenance	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00
Wages & Benefits	$ 189,183.29	$ 189,183.29	$ 189,183.29	$ 189,183.29	$ 189,183.29	$ 189,183.29
Materials & Packaging	$ 682,079.24	$ 682,079.24	$ 682,079.24	$ 682,079.24	$ 682,079.24	$ 682,079.24
Premises Operations & Product Insurance	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56
Depreciation Expense	$ 13,990.63	$ 13,990.63	$ 13,990.63	$ 13,990.63	$ 13,990.63	$ 13,990.63
Marketing						
Consultant Group Fee	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33
Wages & Benefits	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70
Facilities						
Rent	$ 14,000.00	n/a	n/a	n/a	n/a	n/a
Utilities	$ 5,197.50	$ 5,197.50	$ 5,197.50	$ 5,197.50	$ 5,197.50	$ 5,197.50
Insurance	$ 5,877.44	n/a	n/a	n/a	n/a	n/a
Landscaping	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00
Management						
Wages, Salaries & Benefits	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74
Legal Fees	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33
Accounting/Payroll Fees	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00
Office Supplies	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50
Commercial Loan	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38
Taxes						
Commercial Property City @ 14%	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23
Commercial Property County @ $1.17/$100	$ 420.56	$ 420.56	$ 420.56	$ 420.56	$ 420.56	$ 420.56
Inventory Local @ $2.64/$100	$ 514.14	$ 514.14	$ 514.14	$ 514.14	$ 514.14	$ 514.14
Inventory County @ $1.95/$100	$ 379.78	$ 379.78	$ 379.78	$ 379.78	$ 379.78	$ 379.78
Machinery Equipment City @ $2.64/$100	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 998.25	$ 998.25
Machinery Eqpt. County @ 1.95/$100	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34

Eocene Year 3 Estimated Operating & Capital Expenses

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 3 Total
Production							
Maintenance	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 2,000.00	$ 24,000.00
Wages & Benefits	$ 189,183.29	$ 189,183.29	$ 189,183.29	$ 189,183.29	$ 189,183.29	$ 189,183.29	$ 2,270,199.48
Materials & Packaging	$ 682,079.24	$ 682,079.24	$ 682,079.24	$ 682,079.24	$ 682,079.24	$ 682,079.24	$ 8,184,950.83
Premises Operations & Product Insurance	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 2,454.56	$ 29,454.75
Depreciation Expense	$ 21,285.75	$ 21,285.75	$ 21,285.75	$ 21,285.75	$ 21,285.75	$ 21,285.75	$ 211,538.25
Marketing							
Consultant Group Fee	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 18,333.33	$ 220,000.00
Wages & Benefits	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 15,715.70	$ 188,588.44
Facilities							
Rent	n/a	n/a	n/a	n/a	n/a	n/a	$ 14,000.00
Utilities	$ 5,197.50	$ 5,197.50	$ 5,197.50	$ 5,197.50	$ 5,197.50	$ 5,197.50	$ 62,370.00
Insurance	n/a	n/a	n/a	n/a	n/a	n/a	$ 5,877.44
Landscaping	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 1,200.00
Management							
Wages, Salaries & Benefits	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 10,173.74	$ 122,084.88
Legal Fees	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 83.33	$ 999.96
Accounting/Payroll Fees	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 450.00	$ 5,400.00
Office Supplies	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 292.50	$ 3,510.00
Commercial Loan	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 80,323.38	$ 963,880.56
Taxes							
Commercial Property City @ .14%	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 503.23	$ 6,038.76
Commercial Property County @ $1.17/$100	$ 420.58	$ 420.58	$ 420.58	$ 420.58	$ 420.58	$ 420.58	$ 5,046.96
Inventory Local @ $2.64/$100	$ 514.14	$ 514.14	$ 514.14	$ 514.14	$ 514.14	$ 514.14	$ 6,169.67
Inventory County @ $1.95/$100	$ 379.76	$ 379.76	$ 379.76	$ 379.76	$ 379.76	$ 379.76	$ 4,557.14
Machinery Equipment City @ $2.64/$100	$ 989.25	$ 989.25	$ 989.25	$ 989.25	$ 989.25	$ 989.25	$ 11,879.00
Machinery Eqpt. County @ 1.95/$100	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 737.34	$ 8,848.13
Total On Going Expenses							$ 12,350,694.07

Production Run & Inventory Cost

	Avg. Per Day	1 Wk Inventory Cost	
Hiking Boot #1 Men's	248	$	31,046.50
Hiking Boot #1 Women's	248	$	28,154.20
Hiking Boot #2 Men's	72	$	11,749.50
Hiking Boot #2 Women's	72	$	10,413.00
Casual Shoe Men's	130	$	9,509.50
Casual Shoe Women's	130	$	8,112.00
Workboot #1 Steel Toe	110	$	15,999.50
Workboot #1 w/o Steel Toe	110	$	15,587.00
Workboot #2 Steel Toe	40	$	5,607.50
Workboot #2 w/o Steel Toe	40	$	5,457.50
	1200		
TOTAL ON HAND INVENTORY		$	**141,636.20**
TOTAL ON HAND & IN PROCESS		$	**283,272.40**

Wages, Salaries, and Benefits

Estimated payroll for Eocene is $2,343,603. Included in this payroll estimate are wages, salaries, Federal Income Compensation Act (FICA) taxes, West Virginia State Unemployment taxes, West Virginia State Worker's Compensation fund deposit requirements, employee health and dental plan, and employee life insurance contributions. Wages and salaries were derived by labor market research and job description analysis. The FICA cost reflects the employer's contribution rate of 7.65% of gross wages. The unemployment compensation costs reflect a 2.7% rate charged to the first $8000 of gross wages per employee. This rate was quoted for Eocene by the West Virginia Unemployment Compensation Department. The worker's compensation fund deposit requirement cost reflects a rate of 2.27% applied to 3 months gross wages divided by 100. This formula and rate were derived from a quote from the West Virginia Worker's Compensation Fund. The cost of health represents Eocene's assumption of the total cost of health and dental benefits on behalf of the employee. This cost represents the averaged cost of a benefit plan quoted by Time Insurance Company. The cost of life insurance is also assumed by Eocene and was quoted by Time Insurance Company.

Although, payroll represents a significant portion of the costs incurred by Eocene, it has been deemed desirable to compensate the employees within the best possible parameters. This has been done in consideration of real possibilities of unionization, needed productivity, and employee commitment to quality.

Eocene Wage, Salary and Benefits Cost Breakdown

	Number @	Salary/Wage	Total/YR Gross	FICA	U/C	W/C	Health	Life	Totals
Production									
Supervisor/Quality Control	3	$ 38,000.00	$ 114,000.00	$ 8,721.00	$ 648.00	$ 646.95	$ 10,286.64	$ 181.44	$ 134,484.03
Production Workers	102	$ 6.00	$ 1,224,000.00	$ 93,636.00	$ 22,032.00	$ 6,946.20	$ 349,745.76	$ 6,168.96	$ 1,702,528.92
Maintenance Mechanic	3	$ 10.00	$ 60,000.00	$ 4,590.00	$ 648.00	$ 340.50	$ 10,286.64	$ 181.44	$ 76,046.58
Materials Handlers	4	$ 4.35	$ 34,800.00	$ 2,662.20	$ 864.00	$ 197.49	$ 13,715.52	$ 241.92	$ 52,481.13
Management									
General Manager	1	$ 50,000.00	$ 50,000.00	$ 3,825.00	$ 216.00	$ 283.75	$ 3,428.88	$ 60.48	$ 57,814.11
Secretary	2	$ 6.37	$ 27,518.40	$ 2,105.18	$ 432.00	$ 156.17	$ 6,857.76	$ 120.96	$ 37,190.44
Office Manager	1	$ 10.00	$ 21,600.00	$ 1,652.40	$ 216.00	$ 122.58	$ 3,428.88	$ 60.48	$ 27,080.34
Marketing Department									
Marketing Analyst	1	$ 35,000.00	$ 35,000.00	$ 2,677.50	$ 216.00	$ 198.63	$ 3,428.88	$ 60.48	$ 41,581.49
Sales/Marketing Assistant	1	$ 13,258.00	$ 13,258.00	$ 1,014.24	$ 216.00	$ 75.24	$ 3,428.88	$ 60.48	$ 18,052.84
Salespersons	3	$ 36,296.67	$ 108,890.00	$ 8,330.09	$ 648.00	$ 617.95	$ 10,286.64	$ 181.44	$ 128,954.12
Research & Development									
Designer	1	$ 28,000.00	$ 28,000.00	$ 2,142.00	$ 216.00	$ 158.90	$ 3,428.88	$ 60.48	$ 34,006.26
Facilities									
Maintenance	2	$ 6.00	$ 24,000.00	$ 1,836.00	$ 432.00	$ 136.20	$ 6,857.76	$ 120.96	$ 33,382.92
TOTAL WAGE, SALARIES, & BENEFITS	124		$ 1,741,066.40	$ 133,191.58	$ 26,784.00	$ 9,880.56	$ 425,181.12	$ 7,499.52	

TOTAL ANNUAL $ 2,343,603.17

Gross Revenue Projections

These projections are based upon production capacity and marketing efforts. The first two months of year 1 assume no revenue. This is done in anticipation of stagnate cash flows related to the initiation of a new product to the market and receipt payment delays. Gross revenues for year 1 are based upon the maximization of production capacity at 1200 units per day. Styles and relative prices have been averaged on a monthly basis to derive individual style revenue generation. Expansion in revenue in years 2 through 4 is based upon the relative expansion of production capacity. The production expansion may be derived through expanded production hours or productivity gains. However, expanded hours and the related costs have been estimated as the basis for the production increase. The following expansion rates for gross revenue have been assumed: 10% for year 2; 5% for year 3; and 2% for year 4.

Eocene Projected Gross Revenues Year 1

	Price	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Gross Sales							
Hiking Men's	$40.00	n/a	n/a	$ 198,400.00	$ 198,400.00	$ 198,400.00	$ 198,400.00
Hiking Women's	$40.00	n/a	n/a	$ 198,400.00	$ 198,400.00	$ 198,400.00	$ 198,400.00
Hiking Suede Men's	$45.00	n/a	n/a	$ 64,800.00	$ 64,800.00	$ 64,800.00	$ 64,800.00
Hiking Suede Women's	$45.00	n/a	n/a	$ 64,800.00	$ 64,800.00	$ 64,800.00	$ 64,800.00
Casual Men's	$37.50	n/a	n/a	$ 97,500.00	$ 97,500.00	$ 97,500.00	$ 97,500.00
Casual Women's	$37.50	n/a	n/a	$ 97,500.00	$ 97,500.00	$ 97,500.00	$ 97,500.00
Work Boot #1 Steel Toe	$65.00	n/a	n/a	$ 143,000.00	$ 143,000.00	$ 143,000.00	$ 143,000.00
Work Boot #1 w/o Steel Toe	$57.50	n/a	n/a	$ 126,500.00	$ 126,500.00	$ 126,500.00	$ 126,500.00
Work Boot #2 Steel Toe	$67.50	n/a	n/a	$ 54,000.00	$ 54,000.00	$ 54,000.00	$ 54,000.00
Work Boot #2 w/o Steel Toe	$55.00	n/a	n/a	$ 44,000.00	$ 44,000.00	$ 44,000.00	$ 44,000.00
				$ 1,088,900.00	$ 1,088,900.00	$ 1,088,900.00	$ 1,088,900.00

Eocene Projected Gross Revenues Year 1

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1 Totals
Gross Sales							
Hiking Men's	$ 198,400.00	$ 198,400.00	$ 198,400.00	$ 198,400.00	$ 198,400.00	$ 198,400.00	$ 1,984,000.00
Hiking Women's	$ 198,400.00	$ 198,400.00	$ 198,400.00	$ 198,400.00	$ 198,400.00	$ 198,400.00	$ 1,984,000.00
Hiking Suede Men's	$ 64,800.00	$ 64,800.00	$ 64,800.00	$ 64,800.00	$ 64,800.00	$ 64,800.00	$ 648,000.00
Hiking Suede Women's	$ 64,800.00	$ 64,800.00	$ 64,800.00	$ 64,800.00	$ 64,800.00	$ 64,800.00	$ 648,000.00
Casual Men's	$ 97,500.00	$ 97,500.00	$ 97,500.00	$ 97,500.00	$ 97,500.00	$ 97,500.00	$ 975,000.00
Casual Women's	$ 97,500.00	$ 97,500.00	$ 97,500.00	$ 97,500.00	$ 97,500.00	$ 97,500.00	$ 975,000.00
Work Boot #1 Steel Toe	$ 143,000.00	$ 143,000.00	$ 143,000.00	$ 143,000.00	$ 143,000.00	$ 143,000.00	$ 1,430,000.00
Work Boot #1 w/o Steel Toe	$ 126,500.00	$ 126,500.00	$ 126,500.00	$ 126,500.00	$ 126,500.00	$ 126,500.00	$ 1,265,000.00
Work Boot #2 Steel Toe	$ 54,000.00	$ 54,000.00	$ 54,000.00	$ 54,000.00	$ 54,000.00	$ 54,000.00	$ 540,000.00
Work Boot #2 w/o Steel Toe	$ 44,000.00	$ 44,000.00	$ 44,000.00	$ 44,000.00	$ 44,000.00	$ 44,000.00	$ 440,000.00
	$ 1,088,900.00	$ 1,088,900.00	$ 1,088,900.00	$ 1,088,900.00	$ 1,088,900.00	$ 1,088,900.00	

TOTAL GROSS REVENUES **$ 10,889,000.00**

Eocene Projected Gross Revenues Year 2

	Price	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Gross Sales							
Hiking Men's	$40.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00
Hiking Women's	$40.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00
Hiking Suede Men's	$45.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00
Hiking Suede Women's	$45.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00
Casual Men's	$37.50	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00
Casual Women's	$37.50	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00
Work Boot #1 Steel Toe	$65.00	$ 157,300.00	$ 157,300.00	$ 157,300.00	$ 157,300.00	$ 157,300.00	$ 157,300.00
Work Boot #1 w/o Steel Toe	$57.50	$ 139,150.00	$ 139,150.00	$ 139,150.00	$ 139,150.00	$ 139,150.00	$ 139,150.00
Work Boot #2 Steel Toe	$67.50	$ 59,400.00	$ 59,400.00	$ 59,400.00	$ 59,400.00	$ 59,400.00	$ 59,400.00
Work Boot #2 w/o Steel Toe	$55.00	$ 48,400.00	$ 48,400.00	$ 48,400.00	$ 48,400.00	$ 48,400.00	$ 48,400.00
		$ 1,197,790.00	$ 1,197,790.00	$ 1,197,790.00	$ 1,197,790.00	$ 1,197,790.00	$ 1,197,790.00

Eocene Projected Gross Revenues Year 2

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 2 Totals
Gross Sales							
Hiking Men's	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 2,618,880.00
Hiking Women's	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 218,240.00	$ 2,618,880.00
Hiking Suede Men's	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 855,360.00
Hiking Suede Women's	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 71,280.00	$ 855,360.00
Casual Men's	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 1,287,000.00
Casual Women's	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 107,250.00	$ 1,287,000.00
Work Boot #1 Steel Toe	$ 157,300.00	$ 157,300.00	$ 157,300.00	$ 157,300.00	$ 157,300.00	$ 157,300.00	$ 1,887,600.00
Work Boot #1 w/o Steel Toe	$ 139,150.00	$ 139,150.00	$ 139,150.00	$ 139,150.00	$ 139,150.00	$ 139,150.00	$ 1,669,800.00
Work Boot #2 Steel Toe	$ 59,400.00	$ 59,400.00	$ 59,400.00	$ 59,400.00	$ 59,400.00	$ 59,400.00	$ 712,800.00
Work Boot #2 w/o Steel Toe	$ 48,400.00	$ 48,400.00	$ 48,400.00	$ 48,400.00	$ 48,400.00	$ 48,400.00	$ 580,800.00
	$ 1,197,790.00	$ 1,197,790.00	$ 1,197,790.00	$ 1,197,790.00	$ 1,197,790.00	$ 1,197,790.00	

TOTAL GROSS REVENUES $ 14,373,480.00

Eocene Projected Gross Revenues Year 3

	Price	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Gross Sales							
Hiking Men's	$40.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00
Hiking Women's	$40.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00
Hiking Suede Men's	$45.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00
Hiking Suede Women's	$45.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00
Casual Men's	$37.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50
Casual Women's	$37.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50
Work Boot #1 Steel Toe	$65.00	$ 165,165.00	$ 165,165.00	$ 165,165.00	$ 165,165.00	$ 165,165.00	$ 165,165.00
Work Boot #1 w/o Steel Toe	$57.50	$ 146,107.50	$ 146,107.50	$ 146,107.50	$ 146,107.50	$ 146,107.50	$ 146,107.50
Work Boot #2 Steel Toe	$67.50	$ 62,370.00	$ 62,370.00	$ 62,370.00	$ 62,370.00	$ 62,370.00	$ 62,370.00
Work Boot #2 w/o Steel Toe	$55.00	$ 50,820.00	$ 50,820.00	$ 50,820.00	$ 50,820.00	$ 50,820.00	$ 50,820.00
		$ 1,257,679.50	$ 1,257,679.50	$ 1,257,679.50	$ 1,257,679.50	$ 1,257,679.50	$ 1,257,679.50

Eocene Projected Gross Revenues Year 3

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 3 Totals
Gross Sales							
Hiking Men's	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 2,749,824.00
Hiking Women's	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 229,152.00	$ 2,749,824.00
Hiking Suede Men's	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 898,128.00
Hiking Suede Women's	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 74,844.00	$ 898,128.00
Casual Men's	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 1,351,350.00
Casual Women's	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 112,612.50	$ 1,351,350.00
Work Boot #1 Steel Toe	$ 165,165.00	$ 165,165.00	$ 165,165.00	$ 165,165.00	$ 165,165.00	$ 165,165.00	$ 1,981,980.00
Work Boot #1 w/o Steel Toe	$ 146,107.50	$ 146,107.50	$ 146,107.50	$ 146,107.50	$ 146,107.50	$ 146,107.50	$ 1,753,290.00
Work Boot #2 Steel Toe	$ 62,370.00	$ 62,370.00	$ 62,370.00	$ 62,370.00	$ 62,370.00	$ 62,370.00	$ 748,440.00
Work Boot #2 w/o Steel Toe	$ 50,820.00	$ 50,820.00	$ 50,820.00	$ 50,820.00	$ 50,820.00	$ 50,820.00	$ 609,840.00
	$ 1,257,679.50	$ 1,257,679.50	$ 1,257,679.50	$ 1,257,679.50	$ 1,257,679.50	$ 1,257,679.50	

TOTAL GROSS REVENUES **$ 15,092,154.00**

Profit Margin

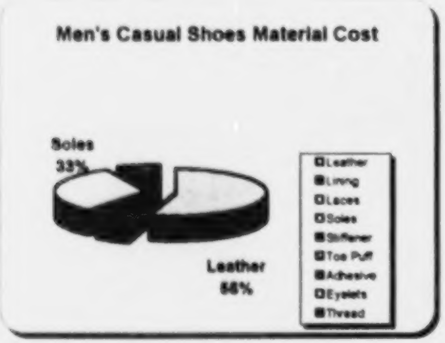
Profit margin for Eocene is largely a function of material cost and labor. In particular the style and design of each product play a significant role in profit margin. Labor cost relative to style are minimal. Materials, in particular leather, play a significant role in the profitability of Eocene. Market demands require that Eocene's production emphasis lies with hiking and casual footwear. However, Eocene's largest margin per unit is within the workboot market. This most significantly leaves Eocene vulnerable to fluctuations in the price of leather. Despite this vulnerability, projections are that Eocene should be able to compensate any loss of margin with a corresponding expansion in production units.

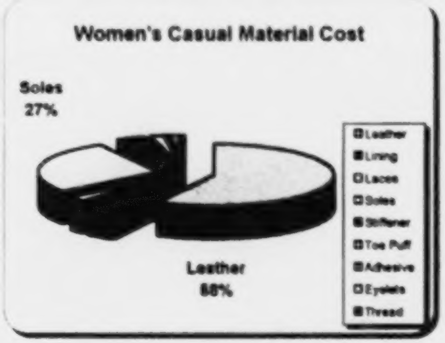
Men's Casual Shoes Per Pair Cost

Material	Per Unit	Quantity	Total
Leather	$ 3.20	2.5	$ 8.00
Lining	$ 0.53	1	$ 0.53
Laces	$ 0.31	1	$ 0.31
Soles	$ 4.77	1	$ 4.77
Stiffener	$ 0.50	1	$ 0.50
Toe Puff	$ 0.25	1	$ 0.25
Adhesive	$ 0.05	1	$ 0.05
Eyelets	$ 0.12	1	$ 0.12
Thread	$ 0.10	1	$ 0.10
TOTAL COST PER PAIR			**$ 14.63**

Women's Casual Shoes Per Pair Cost

Material	Per Unit	Quantity	Total
Leather	$ 3.20	2.25	$ 7.20
Lining	$ 0.53	1	$ 0.53
Laces	$ 0.31	1	$ 0.31
Soles	$ 3.42	1	$ 3.42
Stiffener	$ 0.50	1	$ 0.50
Toe Puff	$ 0.25	1	$ 0.25
Adhesive	$ 0.05	1	$ 0.05
Eyelets	$ 0.12	1	$ 0.12
Thread	$ 0.10	1	$ 0.10
TOTAL COST PER PAIR			$ 12.48



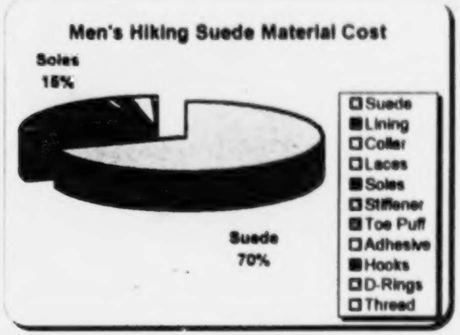


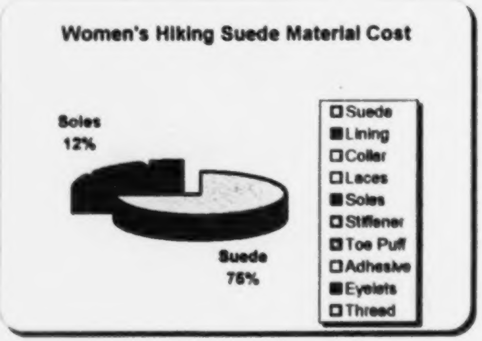
Men's Hiking Suede Boots Per Pair Cost

Material	Per Unit	Quantity	Total
Suede	$ 4.80	4.75	$ 22.80
Lining	$ 0.53	2.75	$ 1.46
Collar	$ 0.50	1	$ 0.50
Laces	$ 0.65	1	$ 0.65
Soles	$ 5.00	1	$ 5.00
Stiffener	$ 0.50	1	$ 0.50
Toe Puff	$ 0.25	1	$ 0.25
Adhesive	$ 0.05	1	$ 0.05
Hooks	$ 0.18	2	$ 0.36
D-Rings	$ 0.23	4	$ 0.92
Thread	$ 0.15	1	$ 0.15
TOTAL COST PI			$ 32.64

Women's Suede Hiking Boots Per Pair Cost

Material	Per Unit	Quantity	Total
Suede	$ 4.80	4.50	$ 21.60
Lining	$ 0.53	2.50	$ 1.33
Collar	$ 0.50	1	$ 0.50
Laces	$ 0.65	1	$ 0.65
Soles	$ 3.42	1	$ 3.42
Stiffener	$ 0.50	1	$ 0.50
Toe Puff	$ 0.25	1	$ 0.25
Adhesive	$ 0.05	1	$ 0.05
Eyelets	$ 0.12	4	$ 0.48
Thread	$ 0.15	1	$ 0.15
TOTAL COST PER PAIR			$ 28.93





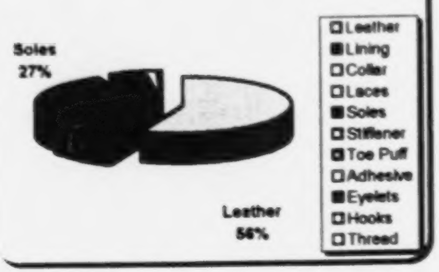
Work Boot #1
Per Pair Cost

Material	Per Unit	Quantity	Total
Leather	$ 3.20	5.00	$ 16.00
Lining	$ 0.53	3.00	$ 1.59
Collar	$ 0.50	1	$ 0.50
Laces	$ 0.65	1	$ 0.65
Soles	$ 7.63	1	$ 7.63
Stiffener	$ 0.50	1	$ 0.50
Toe Puff	$ 0.25	1	$ 0.25
Adhesive	$ 0.05	1	$ 0.05
Eyelets	$ 0.12	4	$ 0.48
Hooks	$ 0.18	3	$ 0.54
Thread	$ 0.15	1	$ 0.15
TOTAL COST			**$ 28.34**

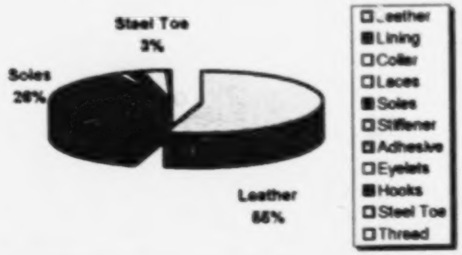
Work Boot #1
Steel Toe
Per Pair Cost

Material	Per Unit	Quantity	Total
Leather	$ 3.20	5.00	$ 16.00
Lining	$ 0.53	3.00	$ 1.59
Collar	$ 0.50	1	$ 0.50
Laces	$ 0.65	1	$ 0.65
Soles	$ 7.63	1	$ 7.63
Stiffener	$ 0.50	1	$ 0.50
Adhesive	$ 0.05	1	$ 0.05
Eyelets	$ 0.12	4	$ 0.48
Hooks	$ 0.18	3	$ 0.54
Steel Toe	$ 1.00	1	$ 1.00
Thread	$ 0.15	1	$ 0.15
TOTAL COST PER PAIR			**$ 29.09**

Workboot #1 Material Cost



Workboot #1 Steel Toe Material Cost

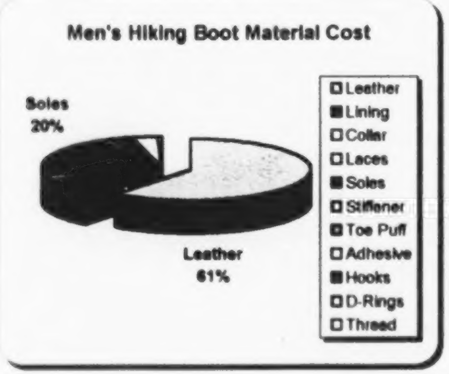


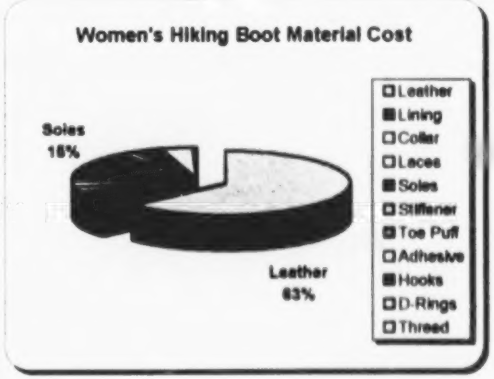
Men's Hiking Boots Per Pair Cost

Material	Per Unit	Quantity	Total
Leather	$ 3.20	4.75	$ 15.20
Lining	$ 0.53	2.75	$ 1.46
Collar	$ 0.50	1	$ 0.50
Laces	$ 0.65	1	$ 0.65
Soles	$ 5.00	1	$ 5.00
Stiffener	$ 0.50	1	$ 0.50
Toe Puff	$ 0.25	1	$ 0.25
Adhesive	$ 0.05	1	$ 0.05
Hooks	$ 0.18	2	$ 0.36
D-Rings	$ 0.23	4	$ 0.92
Thread	$ 0.15	1	$ 0.15
TOTAL COST PE			$ 25.04

Women's Hiking Boots Per Pair Cost

Material	Per Unit	Quantity	Total
Leather	$ 3.20	4.50	$ 14.40
Lining	$ 0.53	2.50	$ 1.33
Collar	$ 0.50	1	$ 0.50
Laces	$ 0.65	1	$ 0.65
Soles	$ 3.42	1	$ 3.42
Stiffener	$ 0.50	1	$ 0.50
Toe Puff	$ 0.25	1	$ 0.25
Adhesive	$ 0.05	1	$ 0.05
Hooks	$ 0.18	3	$ 0.54
D-Rings	$ 0.23	4	$ 0.92
Thread	$ 0.15	1	$ 0.15
TOTAL COST PER PAIR			$ 22.71



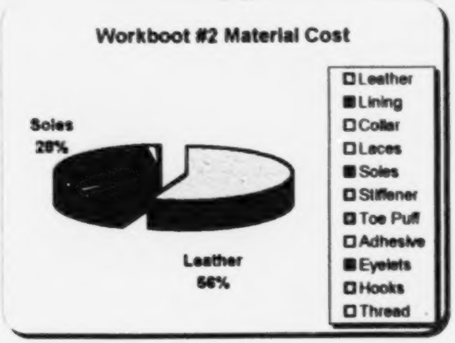


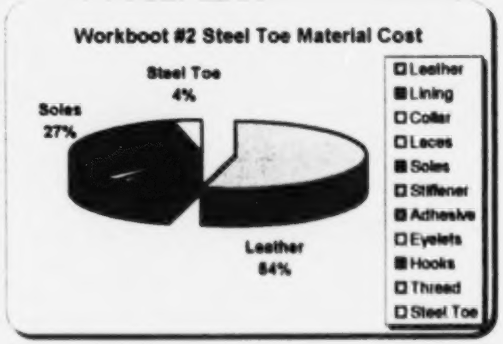
Work Boot #2 Per Pair Cost

Material	Per Unit	Quantity	Total
Leather	$ 3.20	4.75	$ 15.20
Lining	$ 0.53	2.75	$ 1.46
Collar	$ 0.50	1	$ 0.50
Laces	$ 0.65	1	$ 0.65
Soles	$ 7.63	1	$ 7.63
Stiffener	$ 0.50	1	$ 0.50
Toe Puff	$ 0.25	1	$ 0.25
Adhesive	$ 0.05	1	$ 0.05
Eyelets	$ 0.12	3	$ 0.36
Hooks	$ 0.18	3	$ 0.54
Thread	$ 0.15	1	$ 0.15
TOTAL COST			$ 27.29

Work Boot #2 Steel Toe Per Pair Cost

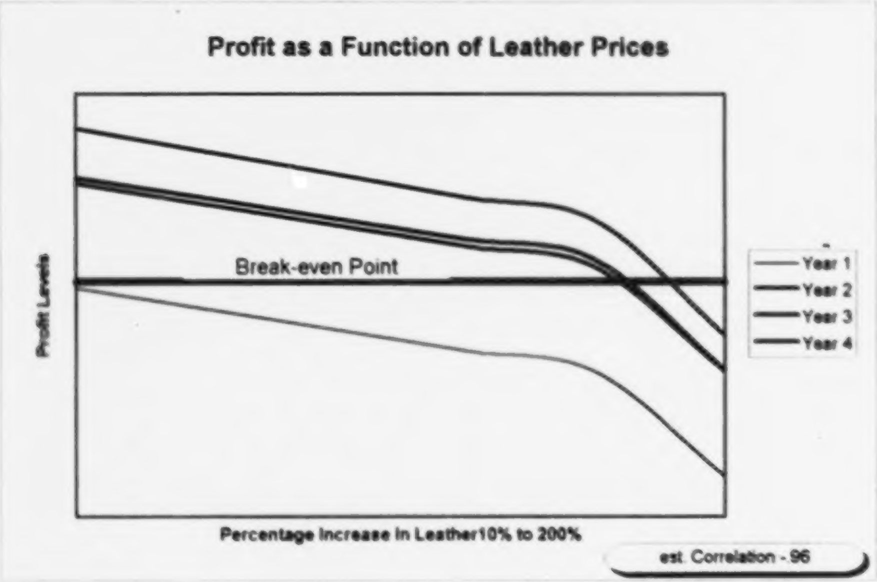
Material	Per Unit	Quantity	Total
Leather	$ 3.20	4.75	$ 15.20
Lining	$ 0.53	2.75	$ 1.46
Collar	$ 0.50	1	$ 0.50
Laces	$ 0.65	1	$ 0.65
Soles	$ 7.63	1	$ 7.63
Stiffener	$ 0.50	1	$ 0.50
Adhesive	$ 0.05	1	$ 0.05
Eyelets	$ 0.12	3	$ 0.36
Hooks	$ 0.18	3	$ 0.54
Thread	$ 0.15	1	$ 0.15
Steel Toe	$ 1.00	1	$ 1.00
TOTAL COST PER PAIR			$ 28.04





Eocene Financial Estimated Ratios

	Year 1	Year 2	Year 3	Year 4	Averaged
Operating Margin	1%	19%	19%	26%	13%
Profit Margin on Sales	1%	18%	18%	24%	15%
Return on Assets	6%	98%	103%	146%	88%
Return on Equity	29%	505%	533%	754%	455%


Profit as a Function of Leather Prices

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Income Projection

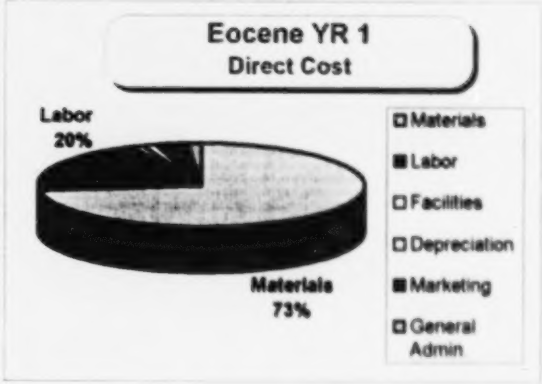
It is estimated that Eocene can begin to make a significant profit by the end of its second year. Estimations of return on investment and the relative liquidity of the projected Eocene operation are positive. After a small gain of $145,824 in year 1, year 2 would see a net income in excess of $2.5 million dollars. Year 3 would see a net income in excess of $2.6 million. Year 4 would see the retirement of the commercial loan and subsequent income in excess of $3.7 million.

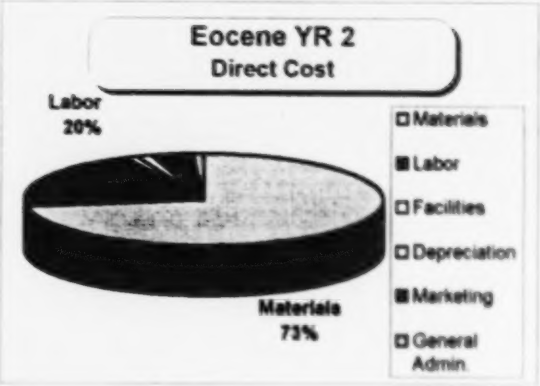
Eocene Estimated Income Statements

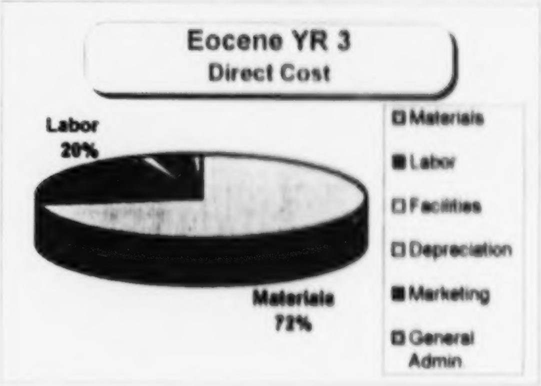
		YEAR 1		YEAR 2
Sales		$ 10,889,000.00		$ 14,373,480.00
Cost of Goods Sold				
Materials	$ 7,066,537.60		$ 7,795,191.36	
Labor	$ 1,985,540.66		$ 2,162,094.73	
Facilities	$ 128,532.18		$ 128,532.18	
Depreciation	$ 119,687.50	$ 9,300,297.94	$ 150,806.25	$ 10,236,624.52
Gross Profit		$ 1,588,702.06		$ 4,136,855.48
Selling Expenses		$ 308,588.44		$ 370,921.54
General Administrative Expenses		$ 131,994.85		$ 131,994.85
Earnings Before Tax and Interest		$ 1,148,118.77		$ 3,633,939.09
Interest Expense (Loan)		$ 963,880.58		$ 831,180.26
Less Net City and County Tax		$ 38,413.66		$ 39,063.77
Net Income Before Income Tax		$ 145,824.52		$ 2,763,695.06
State Tax @ 9%		$ 13,124.21		$ 248,732.55
TOTAL NET INCOME		$ 132,700.32		$ 2,514,962.49

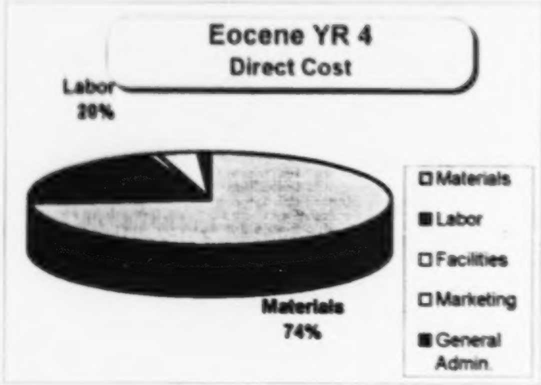
Eocene Estimated Income Statements

	YEAR 3		YEAR 4	
Sales		**$ 15,092,154.00**		**$ 15,393,997.08**
Cost of Goods Sold				
Materials	$ 8,184,950.93		$ 8,348,649.95	
Labor	$ 2,270,199.46		$ 2,315,603.45	
Facilities	$ 128,532.18		$ 131,102.83	
Depreciation	$ 211,538.25	$ 10,795,220.82		$ 10,795,356.22
Gross Profit		**$ 4,296,933.18**		**$ 4,598,640.86**
Selling Expenses		$ 408,588.44		$ 416,760.21
General Administrative Expenses		$ 120,002.76		$ 122,402.81
Earnings Before Tax and Interest		**$ 3,768,341.98**		**$ 4,059,477.84**
Interest Expense (Loan)		$ 799,682.26		
Less Net City and County Tax		$ 42,639.38		$ 43,492.17
Net Income Before Income Tax		**$ 2,926,020.35**		**$ 4,015,985.67**
State Tax @ 9%		$ 263,341.83		$ 248,143.71
TOTAL NET INCOME		**$ 2,662,678.51**		**$ 3,767,841.95**


Eocene YR 1
Direct Cost
Labor
20%
Materials
73%
Materials
Labor
Facilities
Depreciation
Marketing
General Admin


Eocene YR 2
Direct Cost
Labor
20%
Materials
73%
Materials
Labor
Facilities
Depreciation
Marketing
General Admin


Eocene YR 3
Direct Cost
Labor
20%
Materials
72%
Materials
Labor
Facilities
Depreciation
Marketing
General Admin


Eocene YR 4
Direct Cost
Labor
20%
Materials
74%
Materials
Labor
Facilities
Marketing
General Admin

Strengths and Weaknesses

The most significant strength of the Eocene proposal would be its relative liquidity. The operations and financial structure would allow a quick dissolvement. However, this liquidity comes at a real cost. The Eocene operation would have extremely limited assets. This is a result of the lack of needed investment in real estate property. Production equipment represents the only real asset planned for acquisition. The relatively small financial investment into assets does permit Eocene some added advantages.

In its inception Eocene could promote an aggressive marketing strategy, and have an extreme emphasis upon product quality. These early efforts to position itself as a quality product may allow Eocene to widen its profit margin. This in turn would lead to an increased profitability that could then be turned to the acquisition of long term assets. The only real threats beyond creating a market niche lie in the relative cost of leather and labor. Given, the proper incentives the labor issue is projected to be manageable. While, leather market fluctuation may pose a threat to Eocene, that threat faces all of Eocene's potential competitors. Once established the Eocene operations should be in a position to manage leather price fluctuations.

The structure and nature of Eocene's proposal offers a traditional investment option. High profitability comes at the price of high risk. The requirement of the partnership creates risk exposure on behalf of the individual investors. However, this risk will be well managed by a quick retirement of debt. Given, the long term profit potential of Eocene and the division of the risk among ten individual partners, it appears the investment would not only be worthwhile to the community, but also potentially lucrative for each investor. Additionally, a return period of 2 years on the entire investment makes the formation of Eocene an extremely attractive risk.

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Source Photos

Figure 14. Kinney Front Photo

Figure 15. King Prime Front Photo

Figure 16. Kinney Parking Lot Photo